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# NATIONAL INSTITUTE ECONOMIC REVIEW

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This is a two-monthly review.

Every January the Review presents a full-length general survey of the economic situation.

Other issues contain a short general survey followed by special articles on  
topical economic problems and studies of underlying trends.



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# SUMMARY

## The home economy: past and prospect

1960 saw the end of a short-lived boom. Production stopped rising in April, and by the end of the year fell a little. There were three main reasons. Exports fell; credit restrictions held back consumers' expenditure; and more expenditure went on imports. A continuing rise in fixed investment and heavy stock-building prevented much fall in output.

At present a rise in national output of some  $2\frac{1}{2}$  per cent—perhaps 4 per cent in industrial production—seems probable during 1961. In the early months of the year, little change is likely because of reduced stock-building. Through the year as a whole, manufacturing industry's investment should continue to go up fast and there should be a rise in consumers' expenditure. Both exports and Government expenditure may go up a little. The Budget may, on balance, be neutral.

## World background

In the United States, 1960 was a year of slow decline—mainly because of the change-round in stock-building. The general view is that demand will begin to increase again by the middle of 1961. In Western Europe, the rise in output slowed down in the middle of 1960 but it may have revived at the end of the year.

With the check to expansion in industrial countries, commodity prices fell during 1960, particularly the second half. Primary producing countries' exports were stable or falling, while imports continued to rise. But, though their trade balances worsened, their capital receipts improved, and most of them continued to gain reserves. Exceptions were India, South Africa and Australia. All three have taken fresh measures to restrain imports, and sterling area imports may now level off, but are unlikely to fall much.

The world payments picture in 1960 was dominated by the United States' loss of reserves, and Germany's gains. These were largely due to short-term capital movements, and will probably diminish in 1961. The basic payments position of the United States has improved considerably and may continue to do so. Germany's trade surplus fell a little, but with the inflow of short-term capital her reserves rose more than in any other post-war year.

These imbalances are part of a fairly long-continued disequilibrium in the payments of the main trading nations. During the last six years, Britain, the United States and Canada have fairly consistently had overall deficits while the EEC countries have had fairly consistent overall surpluses.

## Britain's balance of payments

1960 was the worst year for Britain's balance of payments since 1951: the current deficit must have been of the order of £150-175 million. In spite of this, and in spite of reductions in sterling balances of overseas sterling countries by £200 million, Britain's reserves rose (including payments to the IMF) by over £300 million. This suggests that there was an 'abnormal' capital inflow into Britain during 1960 of no less than £900 million.

The current account should improve in 1961. Exports to Western Europe should go on rising and to North America should recover, although exports to the sterling area may decline. Imports may fall for a time, if stock-building ceases. But the current account is still likely to be in deficit; there is likely to be the usual long-term capital outflow; and sterling area countries may well reduce their balances further. These developments alone might do no more than cancel out 1960's rise in reserves and IMF drawing rights. The big risk for 1961 is that the inflow of short-term capital might be reversed.

## International payments and British economic policy

Britain's economic growth in 1961 will inevitably be checked by the weakness of her balance of payments—as has happened repeatedly in the past. If Britain is to achieve a faster and steadier rate of growth it will be necessary for her—so far as possible jointly with other countries—to make major changes in her external economic policy. This could involve a currency realignment and a reorganization of the international payments system. The whole object would be to make rapid growth possible: to convince industry that it will take place in future years would require a major initiative from the Government.

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# THE ECONOMIC SITUATION: ANNUAL REVIEW

**Chapter 1** gives a brief summary of trends in Britain in 1960, and surveys the state of British industry at the end of the year. **Chapter 2** looks at world developments and prospects—in particular at the world payments difficulties developing in 1960. In the light of these trends, **Chapter 3** considers Britain's export trade and her balance of payments. **Chapter 4** then gives a forecast for the British economy during 1961. **Chapter 5** examines the world problem of reserves and trade and, finally, considers the problems of current economic policy.

## CHAPTER 1. THE POSITION AT THE TURN OF THE YEAR

1960 saw the end of a short-lived boom. National output had risen little for the three years up to the end of 1958. It then went up nearly 10 per cent in the fifteen months to the spring of 1960. After that, it appears to have stopped rising (chart 1), and probably fell at the end of the year.

A year ago, the Economic Review expected the upswing of 1959 at home and abroad to continue throughout 1960. In fact, both consumption and exports went on rising for only a few months. The American expansion came to an early end, the rise in world trade slowed down and, more important, the British share of world trade fell faster than before, so that exports at the end of the year were lower than at the beginning. Secondly, consumers' expenditure rose less than expected, partly because Government restrictions on hire purchase and credit appear to have had a bigger effect than we envisaged in holding back spending on durables. Thirdly, the share of imports in total national expenditure rose somewhat faster than foreseen, and this reduced the demand for home output as well as contributing to the worsening of the balance of payments. These three factors together were sufficient to bring about a levelling-off in total activity. On the other hand fixed investment went on rising throughout the year, and investment in stocks increased up to mid-year.

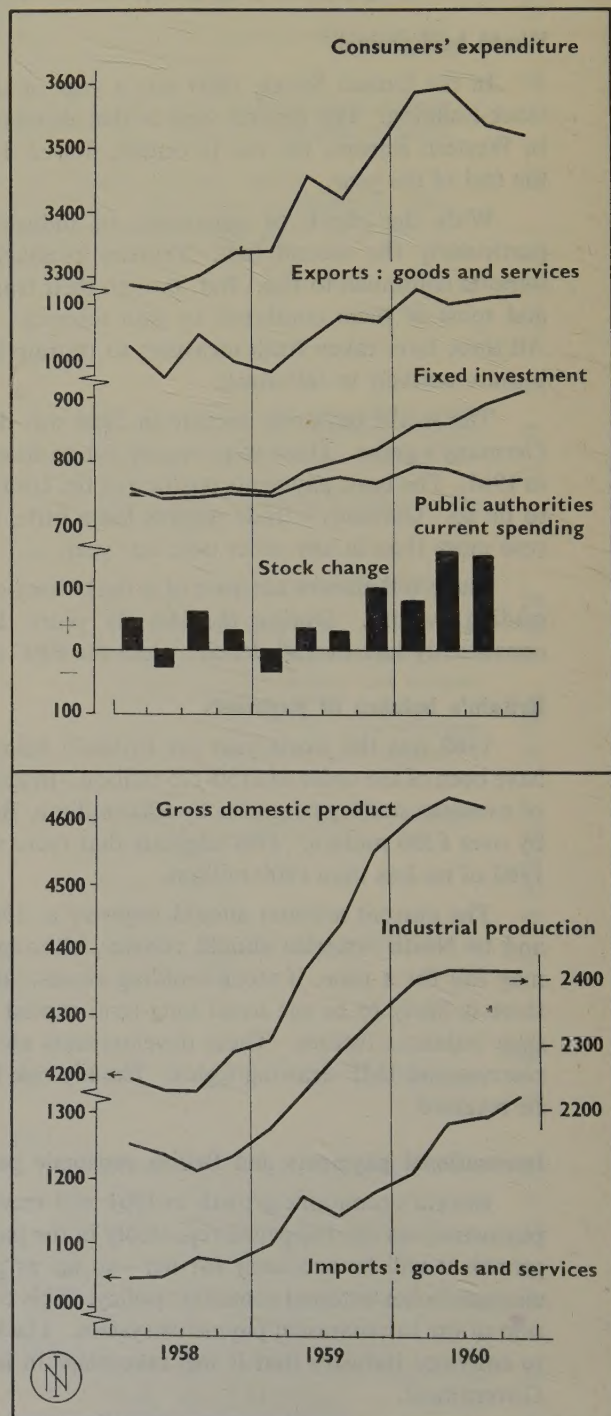
### DEMAND

#### Consumers' expenditure

During the boom (from the end of 1958 to the first quarter of 1960) the rise in consumers' expenditure was directed especially to durable goods; although these accounted for less than 10 per cent of consumers' expenditure even at the peak level of demand, they were responsible for just over one-third of the rise in total consumer spending. Then from the first to the third quarters of 1960, consumers' spending fell £50 million (at 1954 prices), or about 1½ per cent, and almost all of this—£40 million—was in spending on durables (table 1). There was virtually no change in spending on non-durables. In the fourth quarter, preliminary figures suggest that spending on cars continued to fall, but other types of spending (seasonally adjusted) probably stayed about the same.

**Chart 1. National expenditure and output**

£ million, 1954 prices, seasonally adjusted



Source: Appendix table 1 and NIESR estimates.



**Table 1. Changes in expenditure and output, 1955-1960, at average quarterly rates<sup>(a)</sup>**

£ million, 1954 prices, seasonally adjusted

	Slow rise in output	Rapid rise in output	Slow rise in output
	1955 IV to 1958 III	1958 III to 1960 I	1960 I to 1960 III
<b>Expenditure on goods and services at market prices</b>			
Consumers .. .. .	+15	+48	-25
of which : durable goods ..	+ 1	+17	-20
Public authorities .. ..	- 2	+ 7	-10
Gross fixed investment ..	+ 3	+18	+15
of which : manufacturing	+ 1	0	+15
Exports .. .. .	+ 4	+ 9	- 5
<b>Final expenditure, excluding stock-building</b> .. ..	+20	+82	-25
Stock-building <sup>(b)</sup> .. ..	- 6	+ 3	+35 <sup>(c)</sup>
<b>Total final expenditure</b> ..	+14	+85	+10
Less factor cost adjustment ..	- 2	-14	- 1
Less imports .. .. .	- 4	-22	-42
<b>Home output (from expenditure figures)</b> .. .. .	+ 8	+49	-32
Home output (from output figures) .. .. .	+ 3	+71	+16

Source : Appendix table 1.

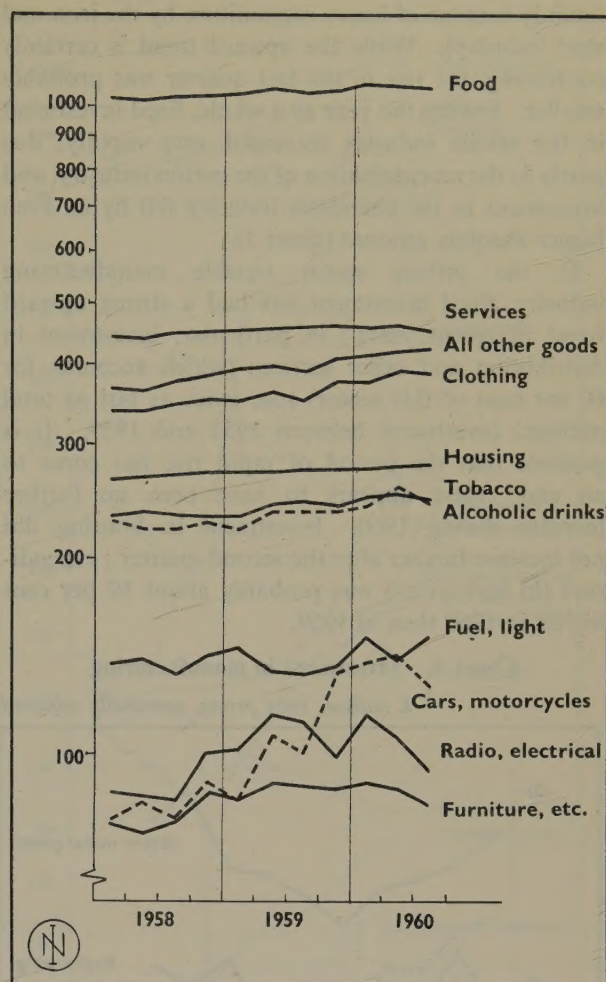
(a) This makes the figures comparable in spite of the unequal time periods.

(b) Change in the rate of stock-building.

(c) The increase in stocks in the third quarter is provisional.

**Chart 2. Consumers' expenditure**

£ million, 1954 prices, seasonally adjusted, ratio scale



Source : Appendix table 8.

year earlier, and held this high figure in the third quarter.

### Government current expenditure

Current expenditure by public authorities was particularly high in the first quarter; as in 1958, this appears to have been due to an acceleration of defence payments in the last quarter of the financial year. Subsequently, Government spending levelled off and in the third quarter was virtually the same, in real terms, as at the end of 1959.

### Fixed investment

Fixed investment was the most buoyant element in final demand in 1960; it continued to rise from the first to the third quarter about as fast as it had done through 1959. Nearly all this continued rise is explained by private manufacturing investment, which went up over 15 per cent; housing increased by about 4 per cent, but the other main sectors of investment—the public sector and private industry outside manufacturing—hardly changed.<sup>(1)</sup>

<sup>(1)</sup> Appendix table 9.

Expenditure on household durables declined earlier in the year than spending on cars and motor cycles. After the April hire purchase restrictions, sales of household durables fell sharply and total purchases quickly stabilised at about 10-12 per cent below the previous rate of around £200 million a quarter. It seems probable that, in the absence of hire purchase restrictions, spending would have levelled off at this figure; for cash sales have stayed about the same through the year, and only hire purchase sales have fallen.

The decline in purchases of cars and motor cycles was delayed by a backlog of orders; purchases reached a peak of £141 million in the second quarter. They fell sharply at the end of the third quarter and may prove to have been round £110 million in the fourth—a level about 20 per cent below the peak.

There has been no great change since the first quarter of 1960 in any of the individual items of spending on non-durables—with the possible exception of clothing; spending on clothing reached a peak in the second quarter about 7 per cent higher than a

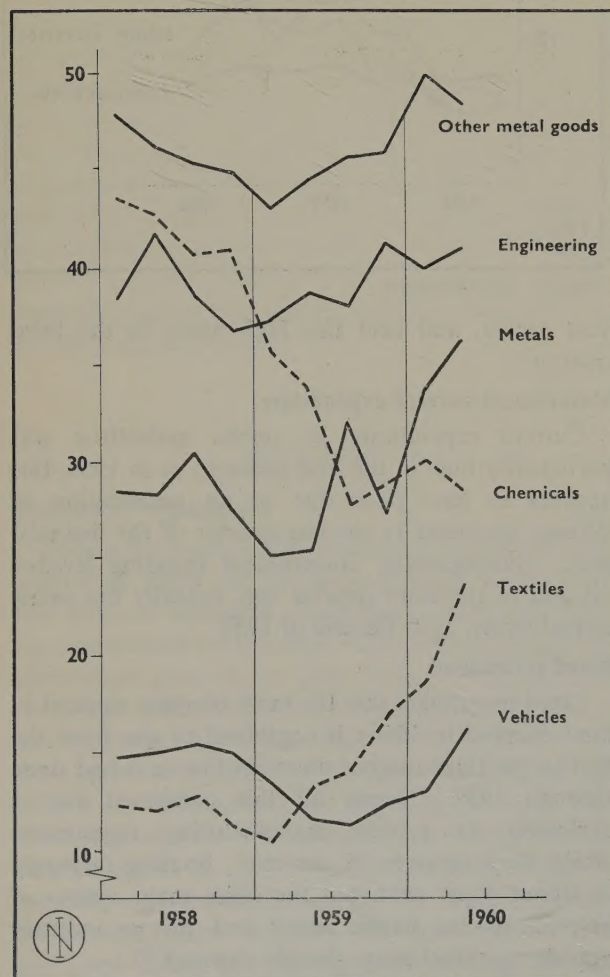


The increase in manufacturing industry's investment was particularly big in the third quarter, (mainly because of heavy expenditure by the iron and steel industry). While the upward trend is certainly continuing, the rise in the last quarter was probably smaller. During the year as a whole, fixed investment in the textile industry increased very rapidly, due partly to the reorganisation of the cotton industry, and investment in the chemicals industry fell by an even bigger absolute amount (chart 3).

In the private sector outside manufacturing industry, fixed investment has had a strong upward trend in recent years; in particular, investment in distribution and other services (which accounts for 60 per cent of this sector) rose twice as fast as total national investment between 1952 and 1959. It is possible that the period of rapid rise has come to an end; there appears to have been no further increase during 1960. Investment in housing did not increase further after the second quarter; expenditure (in real terms) was probably about 10 per cent higher in 1960 than in 1959.

**Chart 3. Investment in manufacturing**

*£ million, 1954 prices, seasonally adjusted*



Source: Board of Trade Journal.

### Investment in stocks

The figures are not certain; but it seems very likely that in 1960 stocks were built up more than in any other post-war year except 1951 (table 2). Without the increase in stock-building in the third quarter, national output would have fallen significantly. Tentative evidence suggests that stock-building may have been lower in the fourth quarter; the other items in national expenditure do not appear to have changed much in that quarter, but industrial output fell, so the rate of stock-building probably declined.

**Table 2. Changes in stocks**

*£ million, 1954 prices, quarterly rates, seasonally adjusted*

	Total	Manu- facturing	Whole- salers	Retailers	Other
1956	+ 66	+ 51	+ 3	+ 5	+ 7
1957	+ 64	+ 42	+15	+10	- 3
1958	+ 25	+ 8	+ 6	+ 4	+ 7
1959	+ 30	+ 8	- 2	+11	+13
1960 I	+ 70	+ 54	- 4	+28	- 8
II	+154	+100	+17	+32	+ 5
III	+140	+119	+37	-21	+ 5

Source: Appendix table 11.

It is manufacturers in particular who were building up stocks in 1960; normally they hold about half the country's stocks, but—up to September of last year—they had done three-quarters of the stock-building. In the third quarter retailers reduced their stocks appreciably, and were probably pushing stockholding back to the manufacturers; even so, the ratio of retail stocks to retail sales at the end of the third quarter was higher than a year earlier. Altogether, a good deal of 1960's stock-building was probably involuntary: this view is supported by what is known for certain specific trades, such as cars and consumer durables.

This increase in stock-building did not all go to raise home output; an appreciable part of the rise was in stocks of imported commodities. Identifiable stocks of imported materials—which fell a little in the first quarter of the year—rose nearly £50 million in the third quarter;<sup>(1)</sup> this increase was almost wholly concentrated on six commodities—wool, wood-pulp, paper, softwood, iron ore and copper. In the fourth quarter, imports of all these commodities, except wool, continued at relatively high levels.

<sup>(1)</sup>Appendix table 14.



## PRODUCTION, PRODUCTIVITY AND LABOUR SUPPLIES

This section uses, in addition to published figures, information obtained in the Institute's industrial enquiry in October 1960. Industrial prospects are discussed on page 42.

The total index of industrial production stopped rising after April (chart 4) and in November it fell two points. The slowing down was general (table 3): the only two main industry groups where output was rising faster during 1960 (up to the third quarter) than during 1959 were food, drink and tobacco, and the electricity industry. The rise in demand for electricity in 1960 was abnormally high (page 10). In some other groups, the rate of rise in output was not far short of that of 1959: the construction industry had a good year in 1960, and so did the brick and cement industries. Output in the chemicals industry was rising at an annual rate of over 10 per cent a year up to the third quarter.

**Table 3. The growth of industrial production during 1959 and 1960**

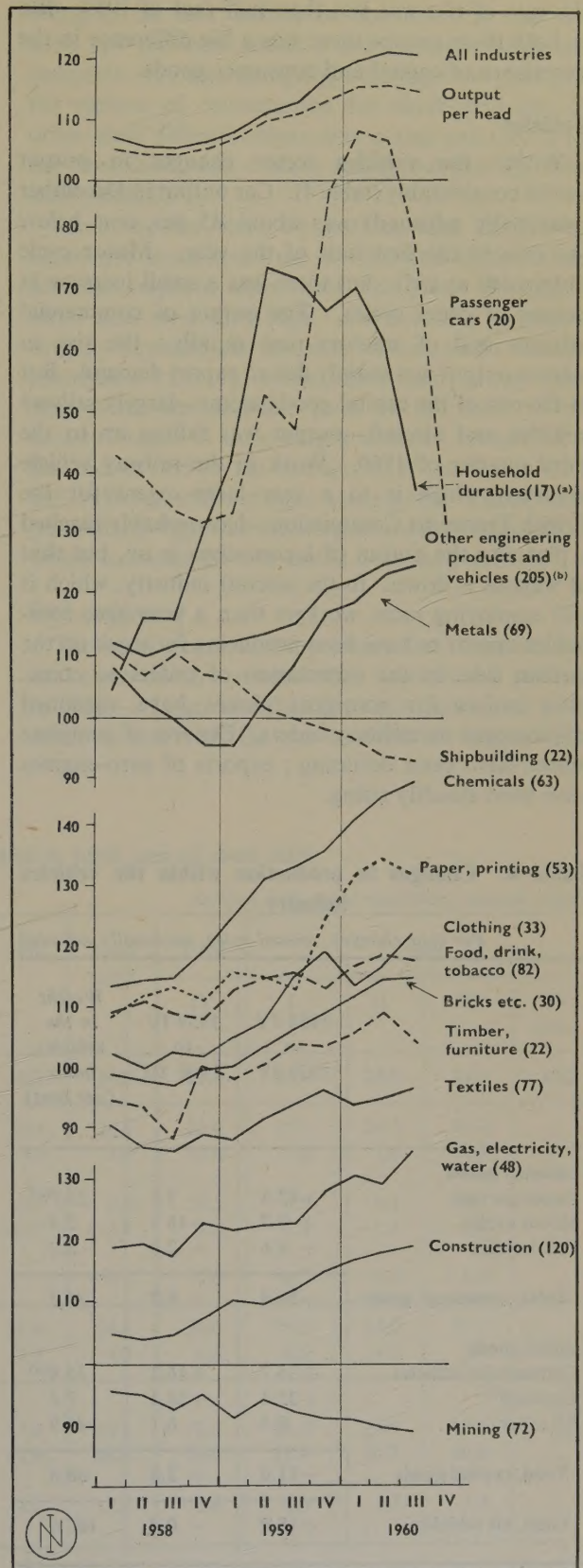
*Seasonally adjusted*

	Per cent change, annual rates		Weight in index
	1958 IV— 1959 IV	1959 IV— 1960 III	
<b>Manufacturing industry</b>			
Metals .. .. .	+23.1	+ 8.1	69
Vehicles .. .. .	+18.9	—	78
Other metal goods ..	+18.3	+ 1.5	42
Clothing .. .. .	+17.0	+ 2.4	33
Chemicals .. .. .	+15.5	+11.2	63
'Other manufacturing' ..	+13.8	+ 7.6	22
Paper and printing ..	+12.1	+ 6.4	53
Textiles .. .. .	+10.5	—	77
Engineering and electrical goods .. .. .	+10.1	+ 4.4	164
Bricks, cement, etc. ..	+ 8.9	+ 6.9	30
Food, drink, tobacco ..	+ 3.8	+ 5.7	82
Furniture, timber ..	+ 3.8	+ 1.9	22
Leather .. .. .	+ 1.6	— 0.4	5
Shipbuilding .. ..	— 9.8	— 8.0	22
<b>Total .. .. .</b>	<b>+12.1</b>	<b>+ 4.3</b>	<b>760</b>
<b>Other industries</b>			
Construction .. ..	+ 6.8	+ 4.0	120
Electricity, gas, water ..	+ 4.2	+ 6.8	48
Mining .. .. .	— 4.1	— 4.7	72
<b>All industries .. ..</b>	<b>+10.0</b>	<b>+ 3.9</b>	<b>1,000</b>

Source: Appendix table 2, *Monthly Digest of Statistics*, and N.I.E.S.R. estimates.

**Chart 4. Industrial production in Britain**

*Index numbers, 1954 = 100, seasonally adjusted*



Source: Appendix table 2 and NIESR estimates.

(a) Including refrigerators, washing-machines, vacuum cleaners, radio and television sets, electric and gas cookers.  
(b) Mainly capital goods.

Figures in brackets indicate the weight, out of 1,000, of the individual industries in total industrial output.



In the vehicles group, taken as a whole, there was no rise in output at all during 1960; and in engineering the rate of rise was less than half that of 1959. But in both these groups there was a big difference in the experience of capital and consumer goods.

### Vehicles

Within the vehicles sector changes in output varied considerably (table 4). Car output in December (seasonally adjusted) was about 45 per cent below the rate in the first half of the year. Motor cycle output fell as well: but there was a small increase in output of pedal cycles. The output of commercial vehicles and of tractors rose rapidly: the rise in tractor output was mainly due to export demand. But in the rest of the capital goods sector—largely railway vehicles and aircraft—output was falling up to the third quarter of 1960. Work in the railway vehicle industry—which is to a very large extent for the British Transport Commission—has probably reached a plateau; the output of locomotives is up, but that of wagons is down. In the aircraft industry, which is still employing more workers than a year ago, companies appear to have been producing for stock on the civilian side, in the expectation of orders to come. New orders for transport planes have sustained employment on military orders. Exports of complete planes have been declining; exports of aero-engines have been steadily rising.

**Table 4. Changes in production within the vehicles industry**

*Per cent changes, annual rates, seasonally adjusted*

	1958 IV to 1959 IV	1959 IV to 1960 III	Weight in the vehicles index (per cent)
<b>Consumer goods</b>			
Passenger cars ..	+42.3	- 7.3	25.7 <sup>(a)</sup>
Motor cycles .. ..	+ 8.7	-16.1	2.3
Pedal cycles .. ..	+ 8.6	+ 2.8	3.2
<b>Total, consumer goods</b>	<b>+36.4</b>	<b>- 6.9</b>	<b>31.2</b>
<b>Capital goods</b>			
Commercial vehicles ..	+36.7	+16.3	15.8 <sup>(a)</sup>
Tractors <sup>(b)</sup> .. ..	+22.4	+28.4	7.1
All other .. ..	- 0.4	- 6.1	45.9
<b>Total, capital goods ..</b>	<b>+11.0</b>	<b>+ 2.5</b>	<b>68.8</b>
<b>Total, all vehicles ..</b>	<b>+18.9</b>	<b>- 0.4</b>	<b>100.0</b>

Source: *Monthly Digest of Statistics* and NIESR estimates.

(a) Including spares.

(b) Wheeled tractors only.

Among manufacturers of motor and aircraft components, a number reported significant rises in output during 1960. This is partly because commercial vehicle production was still rising fast, and partly because some component makers produce for replacement or stock and others do not. Where no stocks are held, and the components are for cars rather than commercial vehicles, output fell with car production; for other components, stocks had been run down heavily earlier in the year, and were still being rebuilt after car output fell.

### Engineering: consumer goods

In the engineering industries, most of the slowing-down in the rise in output can be explained by the fall in production of consumer durable goods (table 5). Taking the seasonally adjusted figures for the seven main consumer durables, their total output in 1960, up to the third quarter, was falling a little more slowly than it had been rising during 1959.

In the radio and television industry, every manufacturer interviewed in the Institute's enquiry reported a fall in output, in spite of the boom in sales of radios. (Radio production went against the trend, and was rising much faster in 1960 than in 1959.) The output of television sets was not cut enough to clear stocks, which were still probably about a million at the end of the year.

Elsewhere, in the domestic appliances industries, there was not the same universal story of decline in output. Production of several smaller durable consumer goods—such as electric blankets—rose in 1960. Moreover, there were some manufacturers of washing machines and cookers who were successful in raising their output against the trend of the market: the low cost producers improved their market share.

### Plant and machinery

The output of plant and machinery was rising much faster during 1960 than during 1959. This conclusion is borne out both by the figures available for the output of individual goods, by the interviews with firms, and by the analysis in table 5, which shows that the seven main household consumer goods account for most of the slowing down in the engineering output index in 1960. Machine-tool output—which had fallen 7½ per cent in value from the third quarter of 1958 to the same quarter of 1959—rose no less than 34 per cent between the third quarters of 1959 and 1960. From the enquiry in October and November 1960, it appeared that in a wide range of firms in electrical and industrial engineering, output, home orders and export orders were all well up on a year



earlier. This was particularly marked for makers of heavy plant for steel and chemicals.

**Table 5. Changes in production within the engineering industry**

<i>Per cent changes, annual rates</i>			
	1958 IV to 1959 IV	1959 IV to 1960 III	Weight in engineering index (per cent)
<b>Household durables<sup>(a)</sup></b>			
Domestic refrigerators ..	+63.1	-48.5	0.7
Washing machines ..	+ 7.4	-28.5	1.1
Gas cookers ..	- 5.0	-30.1	1.7
Electric cookers ..	+18.8	-16.7	0.9
Radios ..	+18.3	+42.7	1.8
TV sets ..	+38.7	-29.6	3.1
Vacuum cleaners ..	+ 3.9	-13.2	0.9
<b>Total, household durables</b>	<b>+21.3</b>	<b>-15.5</b>	<b>10.2</b>
<b>All other engineering<sup>(b)</sup> ..</b>	<b>+8.8</b>	<b>+ 6.7</b>	<b>89.8</b>
<b>Total, all engineering ..</b>	<b>+10.1</b>	<b>+ 4.4</b>	<b>100.0</b>

Source : *Monthly Digest of Statistics* and NIESR estimates.

(a) Partly delivery figures.

(b) Including components for vehicles.

## Steel

Steel production, seasonally adjusted, was still rising in the last quarter of last year; it was then some 8-9 per cent above a year earlier. Steel consumption was also rising right through the year; but the pattern of consumption for sheet steel and for other steel differed—there was a rise and then a fall for steel sheet, and a fairly steady increase for other steel (table 6).

Steel imports were 1½ million tons in 1960—a figure not much less than in 1955 and 1956. About half the imports were sheet steel; but imports of other steel were also high. The increase in imports roughly equalled the increase in consumers' stocks; consumers built up stocks more than in any other year in the last decade. Even so, the ratio of consumers' stocks to their output was still lower than at the end of 1957; the run-down of stocks in 1958 and 1959 has still not been made good. There was a particularly vigorous build-up of stocks of steel sheet, which increased by two-thirds over the year.

## Fuel and power

The total demand for primary fuel (measured in coal equivalent) is estimated to have risen 5 per cent in 1960—a larger rise than for some years, and a rise much in line with the rise in national output. The

**Table 6. Output and use of steel in total, and of sheet steel**

<i>Million tons, ingot equivalent, annual rates<sup>(a)</sup></i>									
	1957	1958	1959	1960 (est.)	1959	1960			
					IV	I	II	III	IV (est.)
<b>Production (seasonally adjusted) ..</b>	<b>21.7</b>	<b>19.3</b>	<b>20.2</b>	<b>24.3</b>	<b>22.9</b>	<b>24.0</b>	<b>24.0</b>	<b>24.3</b>	<b>24.9</b>
Supplies from home production <sup>(b)</sup> ..	22.0	19.8	20.4	24.0	23.4	25.1	24.5	21.2	..
Plus imports ..	1.0	0.6	0.5	1.6	0.6	1.0	2.0	2.2	..
of which									
Sheet steel ..	0.2	0.3	0.4	0.9	0.5	0.8	1.4	1.2	..
Plus stock change <sup>(c)</sup> ..	-0.4	+0.7	+0.7	-1.0	0.0	-1.1	-1.5	-1.2	..
of which									
Sheet steel ..	..	..	..	-0.5	0.0	-0.3	-0.5	-0.9	..
<b>Total usage ..</b>	<b>22.6</b>	<b>21.1</b>	<b>21.6</b>	<b>24.6</b>	<b>24.0</b>	<b>25.0</b>	<b>25.0</b>	<b>22.2</b>	<b>..</b>
Less exports ..	3.9	3.4	3.7	4.2	4.6	4.6	4.1	3.7	..
<b>Estimated home consumption</b>									
Unadjusted ..	18.6	17.7	17.9	20.4	19.4	20.5	20.9	18.6	..
Seasonally adjusted ..	18.6	17.7	17.9	20.4	18.9	19.8	20.3	20.5	..
of which									
Sheet steel ..	2.5	2.7	3.1	3.6	3.4	3.6	3.8	3.6	..

Source : *Iron and Steel Monthly Statistics*, Iron and Steel Board.

(a) Not seasonally adjusted, unless so stated.

(b) Supplies from home production differs from production by the addition or subtraction of producers' stocks, and by the addition of reusable material.

(c) A minus sign indicates an addition to stocks.



temperature in 1960 was lower than usual; and the gain in efficiency appears to have been smaller than in recent years—in electricity generation, iron and steel production, and in other industry, fuel consumption rose almost as fast as output (table 7). The rise in demand for electricity was unusually large—it was almost twice as big as the increase in installed capacity. The margin between capacity and the maximum load has narrowed. Bad weather might bring load-shedding again.

In meeting the total demand for fuel, oil continued to replace coal: excluding road and air transport, oil consumption rose 17 per cent, coal consumption 4 per cent. The demand for oil products grew faster than the output of British refineries, and—mainly because of the growing use of fuel oil—Britain became a net importer of refined products.

1960 was a better year for coal. The electricity industry and the iron and steel industry between them explain nearly all the rise in coal consumption; there was a small rise in the amount of coal used in space-heating (probably due solely to colder weather), but elsewhere demand fell. Manpower in the mines fell consistently—there are now 56 thousand, or  $8\frac{1}{2}$  per cent, fewer miners than a year ago; but output per manshift rose again in 1960 by nearly 4 per cent. Coal stocks were run down during the year from 36 million to  $29\frac{1}{2}$  million tons.

**Table 7. Fuel and power in 1960**

**(1) Analysis of fuel consumption**

*Million tons, coal equivalent*

	Coal		Oil <sup>(a)</sup>		In-crease in output of sector, per cent
	Mn. tons, 1960	Per cent change 1959–60	Mn. tons, 1960	Per cent change 1959–60	
Electricity ..	51	+11	9	+31	+13
Gas ..	22	– 1	1	–23	0
Iron and steel ..	17	+19	5	+14	+20
Other industries ..	24	– 2	10	+39	+ 8
Railways ..	10	– 7	..	..	..
Domestic & Misc.	50	+ 2	5	+38	..
<b>Total<sup>(b)</sup> ..</b>	<b>197</b>	<b>+ 4</b>	<b>65</b>	<b>+14</b>	<b>+ 5<sup>(c)</sup></b>

Source : *Monthly Digest of Statistics*, Ministry of Power.

(a) Converted into coal equivalent at 1 : 1.7.

(b) Including other uses.

(c) Estimated increase in real gross domestic product.

**(2) Analysis of deep-mined coal output**

	Unit	1959	1960	Per cent change	Effect on actual output, 1960 <sup>(a)</sup>
Average man-power on colliery books .. ..	'000	658	602	–8.5	–17
Shifts worked per wage earner ..	number	4.28	4.31	+0.7	+ 1
Output per manshift (overall) ..	tons	1.347	1.397	+3.7	+ 7
Tonnage lost (holidays, disputes) ..	mn. tons	13.95	13.55	–2.9	—
<b>Total output ..</b>	<b>mn. tons</b>	<b>195</b>	<b>186</b>	<b>–4.7</b>	<b>– 9</b>

Source : Ministry of Power.

(a) Million tons

**(3) Oil operations in the United Kingdom**

*Million tons*

	1958	1959	1960 <sup>(a)</sup>
<b>Crude oil</b>			
Imports .. ..	33.9	39.4	43.8
Consumption .. ..	32.9	39.1	43.6
<b>Refined products : The balance of trade<sup>(b)</sup></b>			
Motor spirit .. ..	–0.4	–1.1	–1.0
Kerosene .. ..	–0.8	–1.0	–0.1
Gas-Diesel oil <sup>(c)</sup> .. ..	+1.0	+0.5	+0.7
Fuel oil <sup>(c)</sup> .. ..	+1.9	+1.1	–1.0
Lubricating oil .. ..	—	–0.2	—
<b>Total of above .. ..</b>	<b>+1.6</b>	<b>–0.6</b>	<b>–1.4</b>

Source : *Monthly Digest of Statistics*.

(a) Estimates on the basis of three quarters.

(b) Minus sign indicates an excess of imports over exports.

(c) Including bunkers.

**(4) Electricity generation**

*Percentage increase over a year earlier*

	1956	1957	1958	1959	1960 <sup>(c)</sup>
Electricity sent out <sup>(a)</sup>	8.8	4.4	8.4	6.7	13.0
Output capacity <sup>(a)</sup> ..	9.5	8.5	5.4	7.5	6.4
Maximum load <sup>(b)</sup> ..	6.0	9.5	8.5	10.0	7.4
<b>Ratio of maximum load to output capacity (per cent) .. ..</b>	<b>86</b>	<b>87</b>	<b>90</b>	<b>92</b>	<b>94</b>

Source : *Monthly Digest of Statistics*.

(a) Public stations only.

(b) This is the simultaneous maximum demand supplied from the grid plus the maximum demands supplied from the independent stations not connected to the grid.

(c) Estimated on the basis of eleven months.



## Textiles

After a gradual decline from 1954 until 1958, 1960 was the second year of moderate growth in the textile industry. The output index for all textiles rose 5 per cent; the growth was mainly due to man-made fibres, with a few small rises elsewhere (table 8).

Table 8. Textile output

## (1) Total textile output

Index numbers, 1954 = 100

	1958	1959	1960 <sup>(a)</sup>	Per cent change, 1959-60
Total textiles ..	87	92	97	+ 5
Man-made fibres ..	94	115	132	+17
Cotton :				
spinning ..	77	77	78	+ 2
weaving.. ..	72	70	69	—
Woollen & worsted:				
top-making ..	98	115	105	— 8
spinning ..	92	101	102	+ 1
weaving.. ..	86	90	90	+ 1
Hemp & jute ..	96	106	107	+ 2

Source : Annual Abstract of Statistics, and Monthly Digest of Statistics.

(a) Based on ten months.

## (2) The cotton industry

	Unit	1958	1959	1960 II
<b>Cotton spinning<sup>(a)</sup></b>				
Spindles in place ..	Million	26.2	22.9	13.1
Running spindles, percentage of total ..	per cent	66	67	90
Hours per spindle running .. ..	1958 = 100	100	106	124
Production per spindle in place .. ..	1958 = 100	100	114	193
Production per running spindle-hour .. ..	1958 = 100	100	103	113
<b>Cotton weaving</b>				
Looms in place <sup>(b)</sup>	Thousands	255	223	149
Running looms <sup>(b)</sup> , percentage of total ..	per cent	70	72	93
Hours per loom running .. ..	1958 = 100	100	103	153
Production per loom running .. ..	1958 = 100	100	107	164
Production per running loom-hour .. ..	1958 = 100	100	103	107

Source : Cotton Board.

(a) Excludes waste-spinning and doubling. Spindles are given in mule equivalents.

(b) Lancashire only, accounting for 90 per cent.

Man-made fibres are continuing to make heavy inroads into the market for clothing, household and industrial textiles. Apart from articles made of pure man-made fibres, the amount of synthetic textiles added to conventional materials in mixture is also growing steadily.

The 1960 figures now show the results of the cotton reorganisation plan. They are substantial (table 8). In the spinning section, capacity has been reduced by nearly 50 per cent since 1958; the proportion of spindles running has gone up from two-thirds to 90 per cent; weekly hours of plant use have increased 24 per cent, and output per running spindle-hour has risen 13 per cent. Similar results emerge for the weaving section. These changes must have helped to cut costs considerably.

## Other industries

In the *chemicals* industry as a whole, output was rising more slowly during 1960 than during the previous year; but, making a year-to-year comparison (table 9), there were a number of products whose output in 1960 rose faster than in 1959—including fertilizers, sulphuric acid, and industrial ethyl-alcohol. The output of plastics materials continued to grow very rapidly, though not as fast as in 1959. The output of synthetic detergents fell because of rising competition from imports.

Table 9. Output of selected chemicals<sup>(a)</sup>

Per cent changes in volume of output			
	Annual average, 1955 to 1958	1958 to 1959	1959 to 1960 <sup>(b)</sup>
Plastic materials ..	+10	+21	+15
Sulphuric acid ..	+ 2	+ 8	+12½
Synthetic dyestuffs ..	— 7	+21	+13
Colours .. ..	— 7	+14½	+13
Fertilizers .. ..	+ 2	+10	+ 9
Industrial ethylalcohol	— 8	+ 1	+ 7½
Paints, varnishes ..	+ 3	+ 9½	+ 5
Soap .. ..	— 3	+ 3	+ 1
Synthetic detergents ..	+ 6	+22	—11

Source : Monthly Digest of Statistics.

(a) These cover about 40 per cent of 'chemicals and allied trades', after excluding coke and oil-refining.

(b) Estimated on the basis of 9 to 11 months.

In the *building materials* industries, brick output did not keep pace with demand; stocks were already very low at the beginning of the year, and could not be run down further. In previous years, brick output moved very much in line with house building; but in 1960 house building continued to rise rapidly, although housing starts fell somewhat. During 1960 brick consumption increased very little.



Table 10. The brick situation

	Billions			
	1957	1958	1959	1960 <sup>(a)</sup>
<b>Bricks</b>				
Production ..	6.91	6.43	6.97	7.29
Stock change <sup>(b)</sup> ..	-0.13	+0.04	+0.24	-0.01
<b>Consumption</b> ..	<b>6.78</b>	<b>6.47</b>	<b>7.21</b>	<b>7.28</b>
Level of stocks (end of period) ..	0.39	0.35	0.11	0.12 <sup>(c)</sup>
<i>Index numbers</i> (1957 = 100)				
Brick consumption ..	100	95	106	107
House building <sup>(d)</sup> ..	100	94	107	117 <sup>(e)</sup>
Housing starts ..	100	94	116	111

Source: *Monthly Digest of Statistics*.

(a) Based on eleven months.

(b) A plus sign indicates withdrawals from stock.

(c) End-November.

(d) Investment in housing at 1954 prices.

(e) Estimate.

In the *shipbuilding* industry, there was no sign of any check to the fall in output. The inflow of new orders was only about 630 thousand tons (annual rate), compared with over two million tons in 1955-57. The industry's order books declined to under 3½ million

tons, from about 7 million tons at end-1957. Although there were some signs of a slight recovery in world shipping in 1960—the tonnage of laid-up ships fell—a substantial recovery in world shipbuilding does not appear likely in the near future, and when it does come the British industry will still have a hard struggle to maintain its share of the world market.

### The labour market and productivity

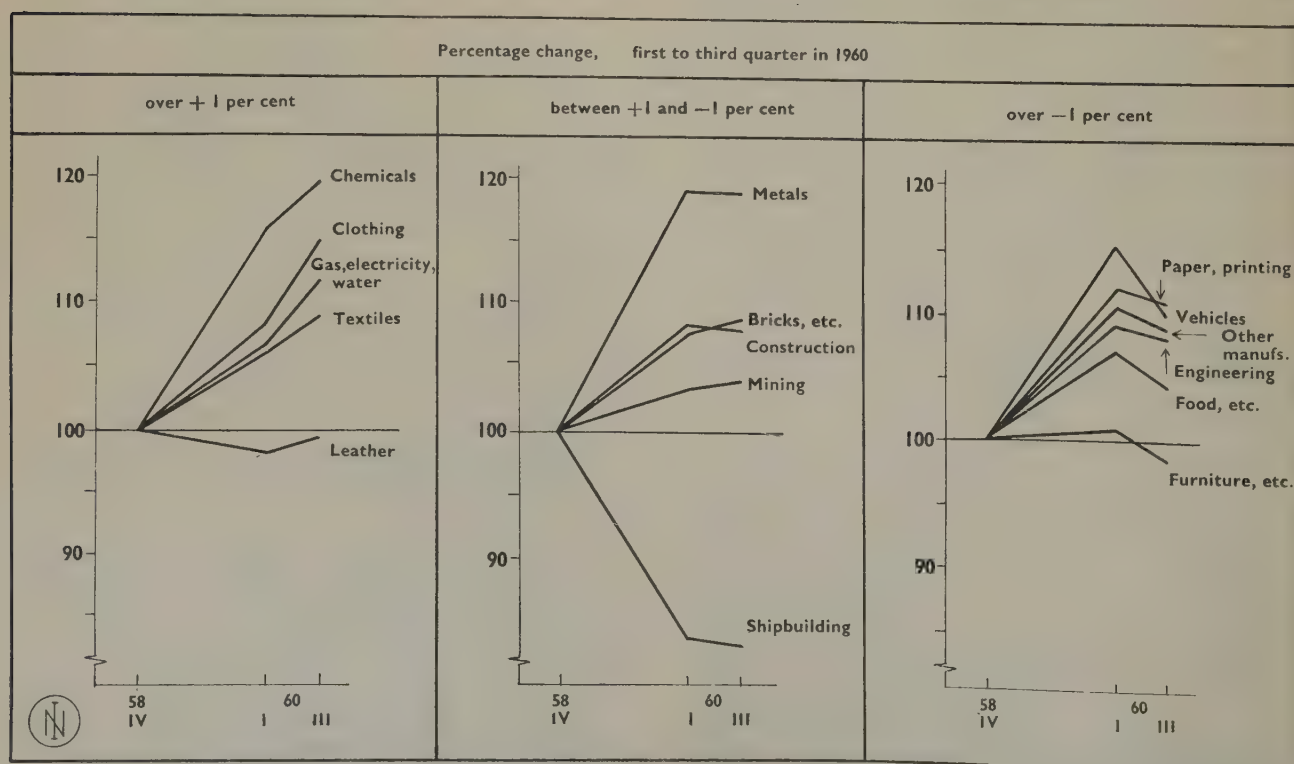
Although industrial production and national output stopped rising after the first quarter of 1960, both total employment and employment in industry continued to increase rapidly up to the third quarter of the year. Indeed, the rate of increase in employment was greater after output and demand had levelled out than it had been in the boom of 1959.<sup>(1)</sup> As a result, output per man fell during 1960, both in industry and in the economy as a whole.

As usual, productivity followed the trends in output (chart 5). In the industries where production went on rising rapidly—in chemicals, for instance, and gas, electricity and water—productivity went up fast as well. When output levelled off, or fell, productivity

<sup>(1)</sup> Appendix table 3.

Chart 5. Productivity : changes in output per head, by industry

Index numbers, 1958 IV = 100



Source: Appendix table 2, Ministry of Labour Gazette, and NIESR calculations.



tended to do the same. But there were a few firms which were exceptions to this rule; they raised productivity in spite of a fall in output.

In industry as a whole, the length of the average working week fell during 1960. In the chemicals industry, the fall in actual hours worked seems to have been as big as the fall in standard hours. In the engineering industry, the fall in average hours is explained by a large fall in a fairly small number of firms; among those engineering firms whose output rose, about half increased the number of hours worked, the rest did not.

After September, it appears that those industries whose output had fallen began to reduce their labour force. Employment in manufacturing industries fell fractionally from September to November. The unemployment and vacancies figures also show a slight easing in the demand for labour after October;<sup>(1)</sup>

unemployment (including the temporarily stopped) rose a little, and unfilled vacancies fell a little. But the demand for labour in general at the end of the year was still a good deal higher than a year earlier; the vehicles industry was the only major industry to have higher unemployment at the end of 1960 than at the end of 1959.

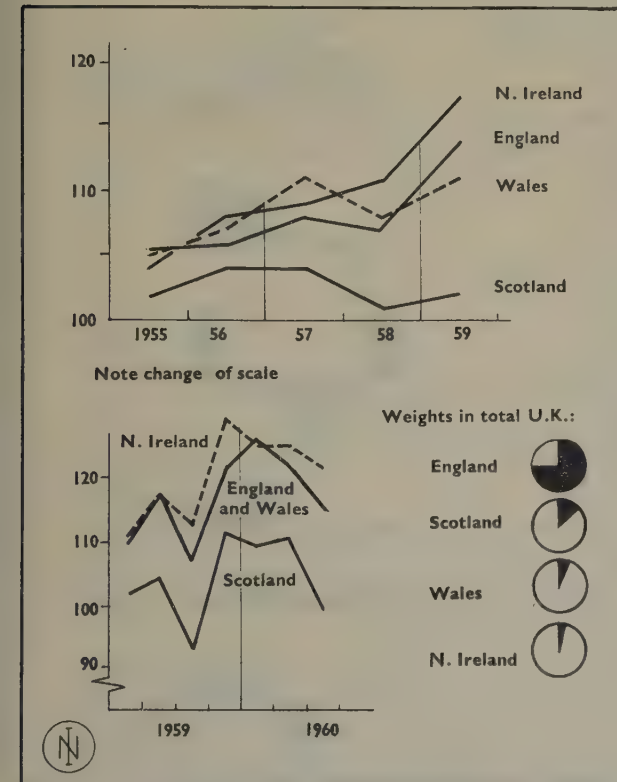
### Regional pattern

Chart 6 shows one aspect of the regional pattern of industrial production since 1954. The startling point is the relative stagnation of the Scottish economy. Only in the last quarter of 1959 did industrial production in Scotland begin to revive from levels much the same as in 1954; in the first half of 1960 Scottish manufacturing output was only around 10 per cent higher than in 1954, compared with about 24 per cent for England and Wales. Northern Ireland, on the other hand, shows a development as lively as that of England and Wales.

The reason for the difference between Scotland and the rest of the United Kingdom is partly that Scotland has a bigger share of the declining industries (table 11). Shipbuilding is three times more important in the Scottish economy than in that of the United Kingdom as a whole. Within some of the industry groups, the pattern of production is also to Scotland's disadvantage as well. For instance, from 1954 to 1959 Scotland's output of 'vehicles' declined; this must be because in Scotland this sector is mainly railway wagons and locomotives, with hardly any commercial vehicles or cars. But in engineering and chemicals as well, Scotland's output has lagged behind.

**Chart 6. Industrial production: England, Wales, Scotland and Northern Ireland**

Index numbers, 1954 = 100



Source: Scottish Statistical Office, Ministry of Commerce of N. Ireland, 'The Welsh Economy, 1960', by A. Beecham and E. T. Nevin in the *London & Cambridge Economic Bulletin*, December, 1960, Appendix table 1.

**Table 11. Scotland and the United Kingdom: comparisons of industrial production**

	Weights (out of 1,000) in industrial production index		Percentage change in production, 1954 to 1959	
	Scotland	United Kingdom	Scotland	United Kingdom
<b>Declining industries</b>				
Shipbuilding ..	60	22	- 8	+ 1
Textiles ..	90	77	- 4	- 8
<b>Rising industries</b>				
Chemicals ..	51	63	+21	+31
Engineering ..	140	164	+ 9	+18
Vehicles ..	46	78	-13	+29

Source: *Monthly Digest of Statistics*, Scottish Statistical Office.

<sup>(1)</sup> Appendix table 3.



## CHAPTER 2. THE WORLD OVERSEAS

**The pattern of payments**

There has been a remarkable contrast in the last six years between the balance of payments experience of Britain and North America on the one hand and the other major industrial countries outside the Soviet bloc on the other. Britain and North America have had fairly consistent overall payments deficits; the EEC countries meanwhile have generally had consistent surpluses. The overall payments position is best summarised in a single figure by adding together the balance of current transactions and the balance of long-term capital transactions; the resultant figure—here called the overall deficit—is the best available measure of the balance which has to be met either by changes in short-term indebtedness or by changes in the reserves. The figures are summarised in chart 7 and table 12.

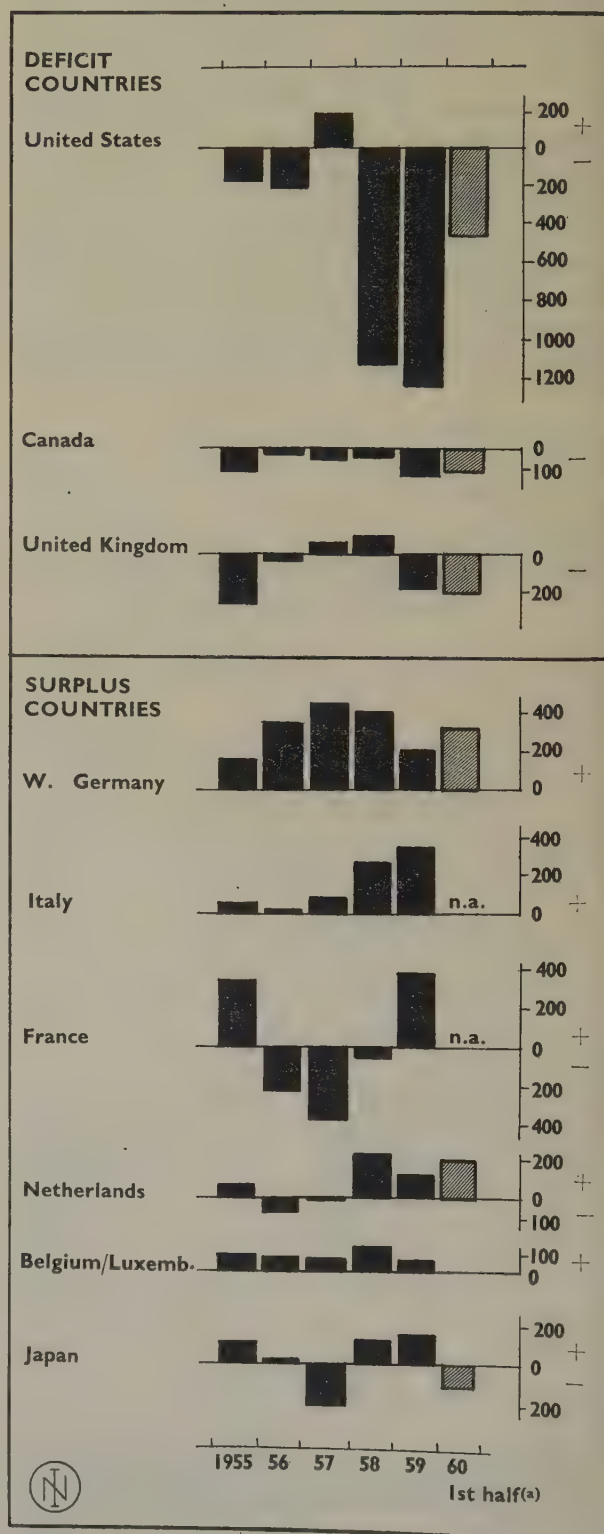
Over the period 1955-1960, Britain, Canada and the United States have all accumulated a substantial net overall deficit. Canada was in overall deficit every year, the United States in every year but one, and Britain in every year but two. Related to each country's reserves at the beginning of the year, the average yearly deficits were appreciable: on average 12 per cent of the reserves at the beginning of the year in Canada, 9 per cent in Britain, and 7 per cent in the United States. Deficits were of course much smaller in relation to gross national product: on average, 0.7 per cent in Canada, 0.4 per cent in Britain, and 0.3 per cent in the United States.

The countries in the European Economic Community (with the exception of France), were in a much stronger position, as was Japan. The only overall deficits were those in the Netherlands in 1956 and 1957 and Japan in 1957 and the first half of 1960. France showed substantial deficits in the period from 1956 to 1958; after the devaluation in 1958 she swung round into surplus.

Although Germany's overall surplus has generally been much larger in absolute terms than those of her partners in the Six, it appears that the main reason lies in the larger size of the German economy. In relation to gross national products, Belgium's average surplus was nearly 2.0 per cent, Germany's and the Netherlands' each about 1.7 per cent and Italy's about 1.4 per cent. Since the franc devaluation, France appears to have achieved a similar relationship of surplus to national income. Nor is Germany's achievement particularly outstanding compared with those of her partners in the Six if the overall surpluses are related to reserves at the beginning of each year; on average Germany's surplus was 25 per cent of her reserves, while Belgium's was 22 per cent, Italy's 21 per cent, and the Netherlands' 18 per cent.

**Chart 7. Balance of payments of major industrial countries: balance on current and long-term capital transactions**

£ million



Source: Table 12.

(a) At annual rates.



Thus it appears that the imbalance in world payments of the last six years has been between one group of countries with broadly similar deficits and another group (which has been joined by France from 1959 onwards) with broadly similar surpluses.

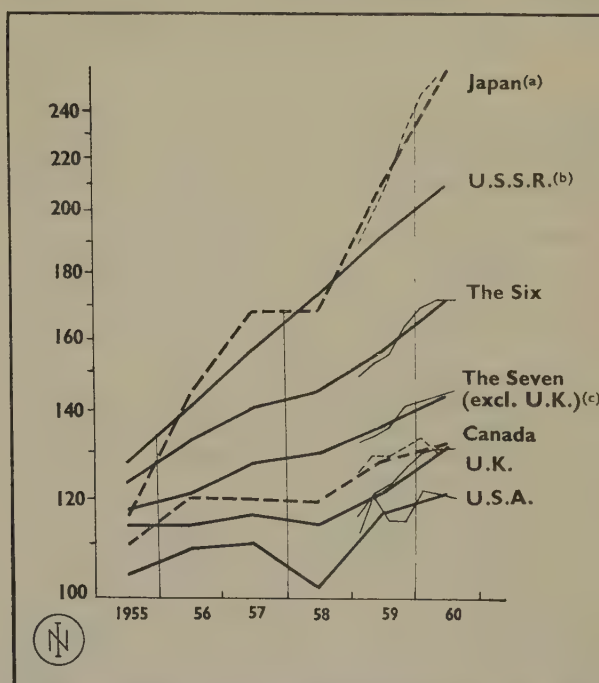
Equally striking is the fact that those countries which have enjoyed consistently strong overall payments positions are much the same as those whose industrial growth has been fastest in recent years. In EEC countries industrial production has risen more than 40 per cent since 1955, while in Britain it has risen 15 per cent, in the United States 12 per cent, and in Canada 16 per cent (chart 8). One of the major questions for the future of the world economy is the extent to which we can expect a continuation of this pattern of rapid economic growth and payments strength in the European Economic Community and in Japan, and of slow growth and payments weakness in the other major industrial countries of the west. Some of the implications of this problem are discussed later (chapter 5).

### United States

Developments during 1960 do not conform to the pattern of earlier post-war recessions. First, the decline has so far been slight and slow. The gross national product (at constant prices), and industrial production fell in the third quarter of 1960 from the fairly stable level maintained during the first half of the year—but by only 1 per cent in each case. By December, however, industrial production had fallen 7 per cent. Secondly, the fall in investment in stocks was the dominating influence depressing total output.

**Chart 8. International comparisons of industrial production**

Index numbers, 1953 = 100, seasonally adjusted, ratio scale



Source: Appendix table 17, and OEEC Main Economic Indicators.

(a) Not seasonally adjusted.

(b) Based on gross, not net, output.

(c) Excludes Switzerland and Portugal.

By the third quarter there was only a very slight fall in consumption and some weakness in fixed investment; but public expenditure and exports were rising steadily. These tendencies seem to have continued up to the end of the year.

**Table 12. Balance of payments of selected industrial countries**

£ million, annual rates

	1955	1956	1957	1958	1959	1960		Average, 1955- 1960 <sup>(a)</sup>
						1st half	III	
<b>United Kingdom</b>								
A. Current balance <sup>(b)</sup> .. ..	- 92	+ 192	+ 229	+ 345	+ 139	+ 70	- 404	+ 147
B. Long-term capital .. ..	- 183	- 241	- 183	- 259	- 321	- 276	..	- 244
C. Balance of current and long-term capital .. ..	- 275	- 49	+ 46	+ 86	- 182	- 206	..	- 97
D. Short-term capital <sup>(c)</sup> .. ..	+ 46	+ 91	- 33	+ 198	+ 63	+ 318	..	+ 114
of which								
Movement of overseas								
sterling holdings ..	- 134	+ 46	- 173	+ 58	+ 236	+ 126	+ 288	- 2
Other short-term capital <sup>(c)</sup> ..	+ 180	+ 45	+ 140	+ 140	- 173	+ 192	..	+ 116
E. Movement of reserves <sup>(d)</sup> ..	+ 229	- 42	- 13	- 284	+ 119	- 112	- 308	- 17
F. Balance of current and long-term capital								
(a) as per cent of reserves <sup>(e)</sup>	- 27.9	- 6.5	+ 5.8	+ 10.6	- 16.6	- 21.1	..	- 9.3 <sup>(f)</sup>
(b) as per cent of GNP ..	- 1.4	- 0.2	+ 0.2	+ 0.4	- 0.8	- 0.8	..	- 0.4 <sup>(f)</sup>



Table 12—continued

£ million, annual rates

	1955	1956	1957	1958	1959	1960		Average, 1955- 1960 <sup>(a)</sup>
						1st half	III	
<b>United States</b>								
A. Current balance <sup>(b)</sup> .. ..	- 168	+ 528	+ 1,247	- 23	- 892	+ 145	+ 64	+ 139
B. Long-term capital .. ..	- 16	- 762	- 1,051	- 1,112	- 357	- 575	- 1,008	- 645
C. Balance of current and long-term capital .. ..	- 184	- 234	+ 196	- 1,135	- 1,249	- 430	- 944	- 506
D. Short-term capital <sup>(c)</sup> ..	+ 169	+ 343	+ 89	+ 323	+ 865	+ 328	+ 34	+ 353
<i>of which</i>								
<i>Movement of net short-term liabilities of US banks</i> ..	+ 186	+ 336	- 12	+ 235	+ 1,124	+ 646	+ 590	+ 358
<i>Other short-term capital<sup>(c)</sup></i>	- 17	+ 7	+ 101	+ 88	- 259	- 318	- 556	- 5
E. Movement of reserves <sup>(d)</sup> ..	+ 15	- 109	- 285	+ 812	+ 384	+ 102	+ 910	+ 153
F. Balance of current and long-term capital								
(a) as per cent of reserves <sup>(e)</sup>	- 2.4	- 3.0	+ 2.5	- 13.9	- 17.0	- 6.2	- 13.7	- 6.7 <sup>(f)</sup>
(b) as per cent of GNP ..	- 0.1	- 0.2	+ 0.1	- 0.7	- 0.7	- 0.2	..	- 0.3 <sup>(f)</sup>
<b>Canada<sup>(g)</sup></b>								
A. Current balance <sup>(b)</sup> .. ..	- 258	- 506	- 539	- 419	- 529	- 582	..	- 472
B. Long-term capital .. ..	+ 134	+ 473	+ 466	+ 375	+ 403	+ 476	..	+ 388
C. Balance of current and long-term capital .. ..	- 124	- 33	- 73	- 44	- 126	- 106	..	- 84
D. Short-term capital <sup>(c)</sup> ..	+ 108	+ 46	+ 34	+ 84	+ 100	+ 38	..	+ 68
E. Movement of reserves <sup>(d)</sup> ..	+ 16	- 13	+ 39	- 40	+ 26	+ 68	- 6.0	+ 16
F. Balance of current and long-term capital								
(a) as per cent of reserves <sup>(e)</sup>	- 17.9	- 4.9	- 10.5	- 6.7	- 18.1	- 15.8	..	- 12.3 <sup>(f)</sup>
(b) as per cent of GNP ..	- 1.3	- 0.3	- 0.6	- 0.4	- 1.0	- 0.8	..	- 0.7 <sup>(f)</sup>
<b>Belgium-Luxembourg<sup>(i)</sup></b>								
A. Current balance <sup>(b)</sup> .. ..	+ 110	+ 137	+ 116	+ 160	+ 77	..	..	+ 120
B. Long-term capital .. ..	- 40	- 68	- 49	- 40	- 14	..	..	- 42
C. Balance of current and long-term capital .. ..	+ 70	+ 69	+ 67	+ 120	+ 63	..	..	+ 78
D. Short-term capital <sup>(c)</sup> ..	- 36	- 68	- 53	-	- 105	..	..	- 52
E. Movement of reserves <sup>(d)</sup> ..	- 34	- 1	- 14	- 120	+ 42	- 90	+ 183	- 26
F. Balance of current and long-term capital								
(a) as per cent of reserves <sup>(e)</sup>	+ 22.8	+ 20.1	+ 19.5	+ 33.4	+ 13.1	..	..	+ 21.8 <sup>(f)</sup>
(b) as per cent of GNP ..	+ 2.0	+ 1.8	+ 1.6	+ 2.9	+ 1.5	..	..	+ 2.0 <sup>(f)</sup>
<b>France<sup>(j)</sup></b>								
A. Current balance <sup>(b)</sup> .. ..	+ 360	- 210	- 405	- 83	+ 278	..	..	- 12
B. Long-term capital .. ..	- 35	- 12	+ 18	+ 21	+ 101	..	..	+ 19
C. Balance of current and long-term capital .. ..	+ 325	- 222	- 387	- 62	+ 379	..	..	+ 7
D. Short-term capital <sup>(c)</sup> ..	- 92	- 39	+ 196	+ 207	- 140	..	..	+ 26
E. Movement of reserves <sup>(d)</sup> ..	- 233	+ 261	+ 191	- 145	- 239	- 190	- 176	- 33
F. Balance of current and long-term capital								
(a) as per cent of reserves <sup>(e)</sup>	+ 72.1	- 32.5	- 91.9	- 27.0	+ 101.0	..	..	+ 4.3 <sup>(f)</sup>
(b) as per cent of GNP ..	+ 1.9	- 1.2	- 2.2	- 0.3	+ 2.1	..	..	+ 0.0 <sup>(f)</sup>



Table 12—continued

£ million, annual rates

	1955	1956	1957	1958	1959	1960		Average, 1955- 1960 <sup>(a)</sup>
						1st half	III	
<b>Germany</b>								
A. Current balance <sup>(b)</sup> .. ..	+ 181	+ 374	+ 499	+ 530	+ 386	+ 420	+ 303	+ 398
B. Long-term capital .. ..	- 43	- 42	- 62	- 137	- 188	- 106	+ 249	- 96
C. Balance of current and long-term capital .. ..	+ 138	+ 332	+ 437	+ 393	+ 198	+ 314	+ 552	+ 302
D. Short-term capital <sup>(c)</sup> ..	+ 7	+ 24	- 186	- 214	- 224	+ 406	+ 588	- 31
E. Movement of reserves <sup>(d)</sup> ..	- 145	- 356	- 251	- 179	+ 26	- 720	- 1,140	- 271
F. Balance of current and long-term capital								
(a) as per cent of reserves <sup>(e)</sup>	+ 19.5	+ 38.7	+ 36.0	+ 26.8	+ 12.0	+ 19.4	+ 27.9	+ 25.4 <sup>(f)</sup>
(b) as per cent of GNP ...	+ 0.9	+ 2.0	+ 2.4	+ 2.0	+ 0.9	..	..	+ 1.7 <sup>(f)</sup>
<b>Italy</b>								
A. Current balance <sup>(b)</sup> .. ..	- 27	- 35	+ 13	+ 202	+ 273	+ 22	..	+ 75
B. Long-term capital .. ..	+ 56	+ 47	+ 53	+ 51	+ 62	- 18	..	+ 42
C. Balance of current and long-term capital .. ..	+ 29	+ 12	+ 66	+ 253	+ 335	+ 4	..	+ 117
D. Short-term capital <sup>(c)</sup> ..	+ 57	+ 13	- 24	+ 5	- 23	- 44	..	- 3
E. Movement of reserves <sup>(d)</sup> ..	- 86	- 25	- 42	- 258	- 312	+ 40	- 264	- 114
F. Balance of current and long-term capital								
(a) as per cent of reserves <sup>(e)</sup>	+ 8.7	+ 2.7	+ 15.0	+ 52.3	+ 45.2	+ 0.4	..	+ 20.7 <sup>(f)</sup>
(b) as per cent of GNP ...	+ 0.4	+ 0.1	+ 0.7	+ 2.6	+ 3.3	..	..	+ 1.4 <sup>(f)(b)</sup>
<b>Netherlands</b>								
A. Current balance <sup>(b)</sup> .. ..	+ 87	- 70	- 57	+ 148	+ 167	+ 82	..	+ 59
B. Long-term capital .. ..	- 30	- 5	+ 43	+ 55	- 61	+ 100	..	+ 17
C. Balance of current and long-term capital .. ..	+ 57	- 75	- 14	+ 203	+ 106	+ 182	..	+ 76
D. Short-term capital <sup>(c)</sup> ..	- 57	+ 22	+ 19	- 55	- 118	- 102	..	- 48
E. Movement of reserves <sup>(d)</sup> ..	-	+ 53	- 5	- 148	+ 12	- 80	- 134	- 28
F. Balance of current and long-term capital								
(a) as per cent of reserves <sup>(e)</sup>	+ 14.4	- 19.0	- 4.1	+ 58.3	+ 21.4	+ 37.6	..	+ 18.1 <sup>(f)</sup>
(b) as per cent of GNP ..	+ 2.0	- 2.5	- 0.4	+ 5.9	+ 2.9	..	..	+ 1.6 <sup>(f)(h)</sup>
<b>Japan</b>								
A. Current balance <sup>(b)</sup> .. ..	+ 80	- 12	- 221	+ 94	+ 121	- 84	..	- 4
B. Long-term capital .. ..	+ 21	+ 24	+ 5	+ 41	+ 6 <sup>(k)</sup>	- 16 <sup>(k)</sup>	..	+ 14
C. Balance of current and long-term capital .. ..	+ 101	+ 12	- 216	+ 135	+ 127	- 100	..	+ 10
D. Short-term capital <sup>(c)</sup> ..	- 90	+ 49	+ 67	- 15	+ 38	+ 192	..	+ 40
E. Movement of reserves <sup>(d)</sup> ..	- 11	- 61	+ 149	- 120	- 165	- 92	- 296	- 50
F. Balance of current and long-term capital								
(a) as per cent of reserves <sup>(e)</sup>	+ 38.2	+ 4.6	- 64.3	+ 72.1	+ 41.3	- 21.2	..	+ 11.8 <sup>(f)</sup>
(b) as per cent of GNP ..	+ 1.2	+ 0.1	- 2.2	+ 1.3	..	..	..	+ 0.1 <sup>(f)(l)</sup>

Source: IFS and IMF Yearbooks, NIESR estimates.

(a) To end of first half of 1960.

(b) Includes donations.

(c) Includes IMF subscriptions and 'errors and omissions'.

(d) Increase (-) or decrease (+); reserves are defined as in Appendix table 25, except that for the United Kingdom the 'special account' dollars are treated as part of end-1956 reserves.

(e) At beginning of period.

(f) Unweighted average of annual percentages.

(g) Canadian figures converted at Can. \$2.70 = £1.

(h) 1955 to 1959 only.

(i) All private capital included in 'long-term capital'.

(j) Transactions with non-franc area only, including those settled on behalf of the overseas franc area. Direct transfers between the overseas franc area and the non-franc area are included in D.

(k) Includes private short-term capital.

(l) 1955 to 1958 only.



Table 13. United States industrial production

Index numbers, 1957 = 100, seasonally adjusted

	1959				1960				
	I	II	III	IV	I	II	III	Oct.	Nov.
Consumer goods .. ..	107	111	112	111	114	117	115	114	113
Equipment .. .. .	93	100	103	102	103	103	103	103	103
Materials .. .. .	101	110	101	102	109	107	105	103	101
Total .. .. .	102	109	105	105	110	109	108	107	105 <sup>(a)</sup>

Source : United States Economic Indicators.

(a) The December provisional figure was 103.

The fall in investment in stocks probably explains the unusual pattern of change in industrial production : the 5 per cent decline by November was due almost wholly to a fall in output of intermediate products, especially marked in steel—a reversal of the big rise in steel output and in stocks generally which had occurred at the turn of 1959/60 after the steel strike. Output of finished products, although ceasing to increase after the early months of 1960, was well maintained up to November (table 13).

Since mid-year, although total employment has continued fairly stable, employment in manufacturing fell slightly, weekly earnings in manufacturing stopped rising, and hours of work were reduced. Hence the rise in total personal incomes was slowed down ; this—together with a slight rise in savings—explains the comparative stability of consumption. Because of the normal increase in the labour force, unemployment rose from about 5 per cent (seasonally adjusted) throughout the first half of 1960 to 6.8 per cent in December.

Declining investment in stocks, which seems to have led to an actual fall in the level of total stocks in the fourth quarter, may continue for some months in 1961. For this reason alone, the gross national product, which almost certainly fell in the fourth

quarter of 1960, is likely to go on falling in the first quarter of 1961. Fixed investment, according to industry's latest anticipations, will also fall a little in 1961. Housing starts have been very stable in spite of easier credit.

On the other hand, Government operations, even if there is no substantial change in policy, are soon likely to have a stimulating effect. Expenditure will certainly continue to rise throughout 1961. The fall in profits during 1960 will result in lower tax receipts after the middle of 1961 ; and the Federal cash surplus, which has been a strong deflationary influence in 1960 following the deficit of early 1959, will once more turn into deficit.

The general view in the United States, reflected by the upturn in share prices from October 1960, is that total demand and output, after falling somewhat further, will begin to increase again around the middle of 1961. The indicators which have in the past been found to change direction in advance of output (table 14) suggest that recovery is not likely to begin much before then.

Falling investment in stocks can reasonably be expected to come to an end before the middle of 1961, when it will have been going on for more than a year. This should be enough to reverse the fall in total

Table 14. United States forward indicators<sup>(a)</sup>

Index numbers, 1957 = 100, seasonally adjusted

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Average weekly hours in manufacturing	101.5	100.5	100.3	100.8	100.3	100.3	100.3	99.7	98.7	99.2	98.0	96.7
Durable goods : manufacturers' new orders .. .. .	108	113	112	111	112	109	105	110	112	105	104	..
Private non-form housing starts .. .. .	129	135	110	131	132	129	116	127	104	122	122	..
Stock exchange : industrial securities index <sup>(b)(c)</sup> .. .. .	131	127	125	126	126	130	128	129	125	122	125	128
Stocks in manufacturing and distribution	99.8	100.8	101.7	102.1	102.9	103.0	102.9	102.9	102.6	102.2	102.2	..
Prices of industrial raw materials <sup>(b)</sup> .. .. .	102.6	100.8	98.7	98.2	98.1	97.4	97.0	96.7	96.5	94.8	94.3	..
Value of new construction contracts .. .. .	100	100	107	113	104	116	121	117	115	125	119	..

Source : US Economic Indicators.

(a) These are the statistics which are selected by the National Bureau of Economic Research as 'leading' in the business cycle, and for which up-to-date figures are available.

(b) Not seasonally adjusted.

(c) SEC composite index.



output and should be reinforced by the trend in Government expenditure. Moreover the new Administration—influenced not only by the present weakness of business activity but also by the desire to stimulate long-term growth—will certainly act to strengthen the natural forces making for recovery if any further stimulus is needed. It is likely to be less reluctant than the Republican administration to use fiscal as well as monetary methods, by reducing taxes and also by speeding up the increase in public expenditure. Certainly the new President's economic advisers are not likely to consider avoidance of a budgetary deficit as the main objective of policy. Nor is the domestic economic policy of the new administration likely to be dominated by balance of payments considerations. First, the problem of the United States foreign balance, prominent as it is in the minds of the authorities, is not regarded as a reason for bringing about a contraction of domestic activity. Secondly there appear to be ways of aiding the restoration of a satisfactory foreign balance without impeding domestic expansion—even though these methods might conceivably have a slightly restrictive effect on economic activity in the rest of the world.

### The United States foreign balance<sup>(1)</sup>

On current commercial transactions in goods and services, the United States earned during the latter part of 1960 a surplus as large as in any year in the nineteen-fifties (apart from the exceptionally large surplus of 1957, when cotton, steel and petroleum exports were abnormally high). The surplus on goods and services (excluding military expenditure) in the third quarter reached an annual rate, seasonally adjusted, of over \$7 billion. In 1959 it was little more than \$2½ billion. The improvement, which appears from the trade statistics to have been maintained in the fourth quarter, came about wholly from an increase in exports, after a number of years during which United States exports had shown very little upward trend.

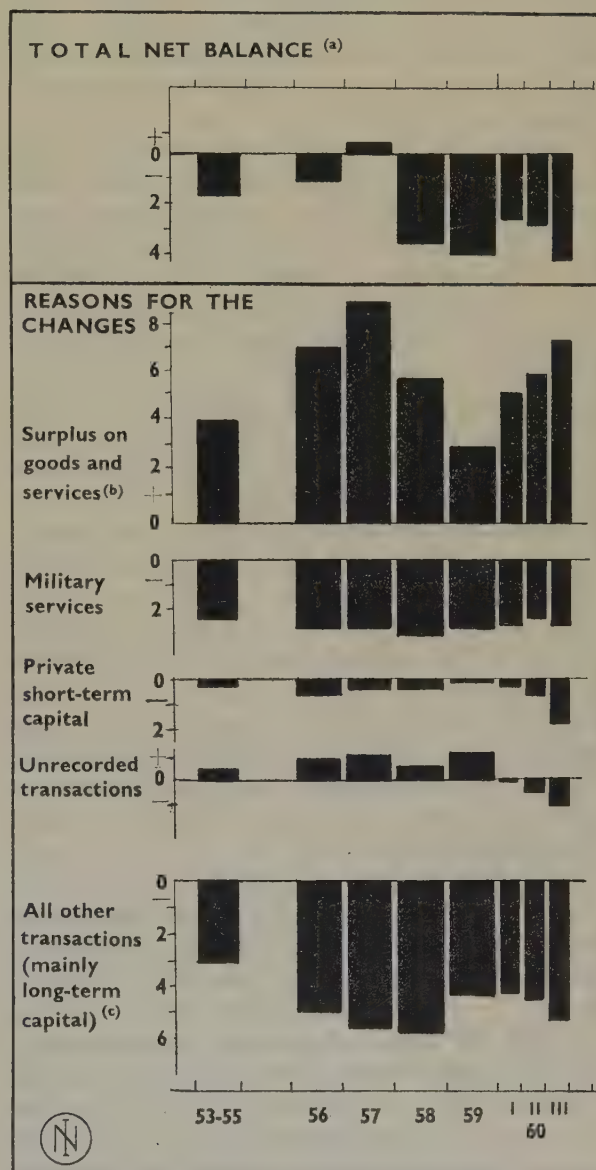
The other two items included in the overall balance (as defined on page 14) are overseas military expenditure and the item 'all other transactions (mainly long-term capital)' (chart 9). Taking these together with the surplus on goods and services, the overall deficit had by the third quarter of 1960 improved from the figure for the year 1959 of \$4.5 billion to an annual rate of only \$1.2 billion; this was in spite of the fact that in the third quarter there was no inflow of foreign

long-term investment into the United States. On normal current and long-term capital transactions, therefore, the United States balance has improved strikingly.

The new feature which appeared in the spring of 1960 was a sharp increase in the outflow of short-term capital (taking together the recorded short-term capital transactions and the errors and omissions item). This outflow raised the annual rate of total deficit including short-term capital, which had fallen early in 1960, above \$4 billion in the third quarter (chart 9).

**Chart 9. The United States balance of payments**

\$ billion, annual averages or rates, seasonally adjusted



<sup>(1)</sup>In parts of this section, we have drawn on a paper presented by Mr. Hal B. Lary of the National Bureau of Economic Research, New York, to the American Economic Association on December 30, 1960. The figures in this section (and in chart 9) are the seasonally adjusted figures published by the Department of Commerce. They differ from the figures in table 12, which are adjusted to make them comparable with those of other countries, and which are not seasonally corrected.



The outflow of short-term funds was due to two factors whose relative importance cannot be distinguished: the higher interest rates to be earned on short-term money in London and other European financial centres and the speculative flight from the dollar into gold and other currencies. The biggest outflows of recorded short-term capital transactions were to the United Kingdom and Canada, each taking about 25 per cent of the third quarter figure. A substantial amount is believed to have gone to Japan. Transactions with the United Kingdom also account for a large part of the swing in the 'errors and omissions' item.<sup>(1)</sup> The interest rate differential between New York and London arose early in 1960, when United States Treasury bill rates fell (chart 12, page 29). The gap widened in June and July with a further fall in United States rates and a rise in British rates. The gap in favour of investment in London was as much as 3 per cent from July to October on a straight comparison of three-months Treasury bill rates; allowing for the cost of forward exchange cover, the gap was between 1 and 1½ per cent. By the end of the year, after the December Bank Rate reduction in Britain, the gap between the bill rates had fallen to just over 2 per cent.

There is a reasonable prospect that the current commercial surplus (excluding military expenditure) will be maintained in 1961 at not much below the annual rate of \$6 billion to \$7 billion reached in the second and third quarters of 1960. A recovery in domestic activity will cause increases in many classes of imports, but others, including cars, steel, meat—which have until recently been on a rising trend because of deficiencies in American output—may remain stable or fall. Exports may not rise as steeply as they did in 1960; a special feature of the year was the increase of about \$½ billion in exports of aircraft and engines which is not likely to be maintained when existing orders are filled. This loss might however be offset by a continuation of recent increases in exports of several other categories, especially capital equipment.

The outflow on military expenditure, on private long-term capital account, on Government grants and loans and on other items apart from short-term capital, has in recent years been fairly steady at between \$7 and \$9 billion. Steps have been taken to reduce this figure—by reducing overseas military expenditure, by bringing home service families, and by linking aid to the supply of United States goods and services. These measures may save \$1 billion a year. Whether this saving will be big enough to give the United States an overall surplus (on current and long-term capital transactions) is not certain.

But in any case the residual overall deficit should not be large.

There remains the problem of the short-term capital outflow. The interest rate differential between New York and London, although diminishing, is still wide enough to attract funds away from the United States even without any speculative influences. The prohibition on external holdings of gold by United States citizens may lead to a return of funds to the United States in the first half of 1961. Even so, the Administration may still be faced with the problems of a continued accumulation of dollar liabilities to foreigners and further periodical drains of gold.

There are however, still ways open to it to reduce the net outflow of funds without drastic interference with the general basis of United States foreign economic policy and without significant effects on the course of domestic activity. For example, the freedom from United States taxation of unremitted profits earned by foreign subsidiaries of United States companies might, it has been suggested, be withdrawn; loans and aids might be tied still more closely to the purchase of American goods or loans, and aid in kind might be extended more widely and made to cover manufactured goods as well as agricultural products. More efforts will no doubt be made to shift to other countries part of the burden of military expenditure and of economic assistance to undeveloped areas. Further, pressure will be exerted to get discrimination against dollar imports further reduced. The official attempts to increase exports by exhortation—which have only recently been begun in the United States—can be reinforced.

Such measures may not stop the outflow of short-term funds, so far as this is due to the differentials in short-term interest rates. The new administration will be reluctant to raise the long-term interest rate but commentators have suggested that the Federal Reserve Board should be ready to abandon temporarily its aim of funding by departing further from its policy of buying 'bills only'. It is reasonable to expect that open-market sales of Treasury bills and short-term securities by the authorities, and simultaneous purchase of long-term bonds, would raise short-term interest rates without appreciable effect on the long-term rates.<sup>(2)</sup> In any event, a recovery in domestic business activity will itself reduce the supply of liquid funds available for short-term investment abroad.

It is to be expected, then, that the United States external payments position will in one way or another

<sup>(1)</sup>*Survey of Current Business*, December 1960.

<sup>(2)</sup>In the course of the election, Mr. Kennedy attacked the administration for bringing about a fall in short-term interest rates which stimulated the outflow of capital while allowing high long-term rates to impede domestic investment. He advocated a 'more flexible' use of interest rates. (*New York Times*, October 31, 1960).



be reduced within manageable limits in the course of the year. The wider implications of the developments of the past few months are discussed in chapter 5.

### Western Europe

In several Continental countries the expansion of output slowed down in the second and third quarters of last year; it is not yet clear whether this slowing-down continued to the end of the year. Reports from France—where output rose in the third quarter after hesitating earlier in the year—suggest a continued rise in the fourth quarter. In Italy, Belgium, the Netherlands and the Scandinavian countries, the latest figures show no further expansion. On the other hand, there is some evidence that growth has been resumed in Western Germany after a check during the summer. In each of the months of September, October and November, industrial output (seasonally adjusted) rose by an average of 1 per cent a month. In October and November, German industrial output was 8 per cent higher than a year before; this compares with an increase of 14 per cent between the first quarters of 1959 and 1960.

On the demand side, one main reason for slower growth in Western Europe as a whole was the stability of their total exports. In EEC countries exports had risen 25 per cent in volume from early 1959 to early 1960; but during 1960 there was no marked upward trend in any of the six countries. Their exports to North America were falling; their intra-trade and trade with the rest of Continental Western Europe were rising, although more slowly than in 1959.

The effect of this change can hardly have been enough by itself to slow down the rise in industrial output, which after going up 14 per cent between early 1959 and early 1960, rose only 2 per cent (seasonally adjusted) between the first and third quarters of 1960. It is reasonable to assume that domestic expenditures, in EEC countries as a whole, were also not rising as fast as in 1959. In France, however, the check to exports early in 1960—due largely to the fall in car exports to the United States—appears to have been followed by a significant rise in consumption, which had been almost stable (in real terms) for two years. In Italy, both consumption and investment appear to have been rising steadily up to the end of the third quarter of last year; but—in addition to the slackening in exports—there has been a big increase in imports of manufactures.

There have probably been some difficulties on the supply side as well which have slowed down the rise in activity in Europe. Unemployment has fallen to near, or below, its lowest level for several years in Germany, Austria, the Netherlands, Denmark, Norway and Sweden—and also in Italy, though there the problem is still unemployment, not scarcity of labour.

Only in France and Belgium is unemployment comparatively high by the standard of recent years.

The check to the rise in exports has had little effect on most Continental countries' balance of payments, since the increase in imports was also slower in nearly all of them. Italy was an exception; her trade deficit widened during the year. All the main European industrial countries continued to gain foreign exchange reserves during 1960. In Italy and France the gains were small, but France made big IMF repayments.

### Further expansion in Germany ?

Forecasts of a slowing down because of capacity limits have been most frequent in Germany. The general expectation for 1960 was that the national product would rise about 5 to 6 per cent<sup>(1)</sup>.

It appears that, for German industry as a whole, the increase in capacity kept pace with the increase in output in 1960, and the degree of utilisation seems to have remained about constant<sup>(2)</sup>. There is probably more spare capacity than a year ago in consumer goods industries, and less spare capacity in capital goods industries. Order books were run down in consumer goods industries in 1960; but in capital goods industries, the inflow of new orders up to October consistently exceeded deliveries by about 20 per cent. Capital goods output rose about 13 per cent from end-1959 to end-1960.

The increasing pressure on the labour market in Germany has resulted in rising labour costs. In the twelve months ending August 1960, average weekly earnings rose by 10 per cent. (In the previous five years, the annual increase varied between 5 and 7 per cent). During the same period, industrial employment rose by about 7 per cent and hours of work were reduced, while industrial output rose about 10 per cent. There was therefore a rise in labour costs per unit of output probably rather greater than in Britain over this period. Some effect is visible in prices. Producers' prices for industrial goods have increased about 2 per cent during 1960 despite a fall of 3 per cent in raw material prices (table 15). The effect on the cost of living has so far been negligible, because food prices fell in 1960 after their rise at the end of 1959. Nor has there so far been an appreciable effect on export prices generally.

The immediate prospect for the German economy still seems to be one of continued expansion, with capacity increasing to meet rising demand. The shortage of manpower in industry is now being met mainly by movement from other sectors. Employment in industry rose by about 500 thousand in the

<sup>(1)</sup>See for example the Bundesbank's forecast quoted in *National Institute Economic Review*, no. 9, May 1960, page 18.

<sup>(2)</sup>IFO enquiries, quoted by *EEC Quarterly Report*, December 1960.



Table 15. Germany : selected economic indicators

		Labour market and prices					Order books					Industrial production
		Industrial employment	Unemployment	Unfilled vacancies	Average weekly earnings in industry	Prices of industrial products	Manufacturers' new orders			New orders		
							Total	Home	Export	Investment goods	Consumer goods	
		(ns)	(s)	(ns)	(ns)	(ns)	(s)	(s)	(s)	(ns)	(ns)	(s)
		(1958 = 100)	('000)	('000)	(1958 = 100)		(1958 = 100)			(per cent of deliveries)		(1958 = 100)
1958		100	671	220	100	100	100	100	100	99	94	100
1959	I	100	532	223	100	99	110	109	116	111	95	103
	II	100	488	301	105	99	128	110	120	107	130	105
	III	101	417	347	106	99	127	127	128	111	103	107
	IV	102	316	284	110	100	135	133	144	114	106	111
1960	I	105	246	385	108	100	136	135	139	123	94	116
	II	106	240	484	113	101	139	132	149	116	110	118
	III	108	240	529	117	101	145	145	146	124	91	117
October		109	..	503	..	102	..	..	..	119	101	118
November		..	..	447	..	102	..	..	..	..	..	119(p)

Sources : Monatsberichte der Deutschen Bundesbank, OEEC. Main Economic Indicators, OEEC Statistical Bulletin.

(s) = Seasonally adjusted.  
 (ns) = Not seasonally adjusted.  
 (p) = Provisional.

past year ; of these, 300 thousand came from other sectors of the economy, and only 200 thousand from an increase in total employment.

### The German balance of payments<sup>(1)</sup>

In the period of the European Payments Union, the problem of the persistent German surplus was met, in part at least, by German credits to other countries in Europe. Now Germany's debtors are largely financing their deficit with the Germans by the use of dollars earned from the United States. Western Germany's balance of payments problem is thus the counterpart—even the mirror image—of that in the United States. The German surplus—together with the inflow of capital which has been encouraged by high interest rates adopted for internal reasons—has far exceeded the outflow of long-term capital and has led to a steady accumulation of reserves. The inflow of capital has paralysed to a considerable extent the effects of the credit restraint and has more clearly than ever demonstrated the conflict between the domestic and external aspects of this policy<sup>(2)</sup>. This conflict has led to pressure for less reliance on

monetary policy and for more use of budgetary measures to control the internal economy. Nevertheless the inconvenience caused by a payments surplus is never likely to dominate policy to the same extent as the more obvious perils of a payments deficit. The shift towards greater use of budgetary policy—especially in view of the elections this autumn—is likely to be cautious.

There was a slight reduction in the trade surplus in 1960. Up to November, imports increased a little more than exports, for the first time in the nineteen-fifties except 1955. Increasing expenditure on foreign travel has been partly responsible for a downward trend in the past few years in the invisible surplus, although offset in 1960 by the rising surplus on transport. The current surplus on trade and services in 1960 was still, however, probably about \$1.6 billion, including receipts of about \$1 billion from American and other troops stationed in Germany. Against this must be set transfer payments of about \$600 million (mainly indemnification payments to Israel), and an outflow of long-term capital which in 1960 may have been about \$400 million. A large part of this consists of the repayment of German Government debts and private portfolio investment. On current and long-term capital account, therefore, the surplus in 1960 may have exceeded \$600 million.

<sup>(1)</sup>The figures quoted are those published by the Bundesbank. For a comparison of the German balances with those of other countries, on a standard basis, see table 12.

<sup>(2)</sup>Monthly Report of the Bundesbank, October 1960.

To this surplus was added, in the second and third quarters of 1960, a very large inflow of short-term capital. The identified total of this inflow for the year is likely to be at least \$500 million; in addition, the errors and omissions item in the German balance of payments statistics is likely to approximate to \$1 billion and probably represents a further short-term capital inflow. Hence German foreign exchange reserves increased during the year 1960 by \$2 billion—a much bigger increase than in any post-war year.

Germany's current surplus on trade and services may continue to diminish in 1961, but can hardly be expected to fall fast. Reduced military expenditure by the United States will contribute. The inflow of short-term funds, which no doubt contained a speculative element, may decline, especially if—as is suggested above—the outflow of funds from the United States is cut down. (Although the direct flow from the United States to Germany has probably not been large, it is in part the general outflow of American funds which has encouraged the flow into Germany). The measures taken in Germany to discourage the inflow of foreign funds should help.

More important, however, is the extent to which German authorities have responded to the pressure to use the surplus for long-term investment and aid for international development. The steps so far announced are not very substantial, in relation to the size of the problem. These are the proposals to make available for loans to under-developed countries \$360 million of Government funds, a similar sum to be met by industrial and banking subscriptions to a government loan, and about \$140 billion from surpluses accumulated by the Länder Governments. From these sources, \$800-900 million might be obtained for long-term investment, but the actual expenditure may be spread over an uncertain number of years. The German government may also be pressed into increasing its military contribution to NATO forces and making further debt repayments in advance.

By all these measures, the overall surplus of about \$2 billion in 1960 may well be progressively reduced, but can hardly be eliminated. Indeed, some of these measures, in particular the increase in long-term investment, are bound at the same time to increase German exports.

There remains the possibility that the German surplus will be reduced by internal inflation. This view seems to be taken in the collective report of German economic research institutes on the current situation. After pointing out that exchange adjustment as a solution has been officially rejected and that increased capital exports will not assist the balance of real demand with resources, they say, 'There remains the final, highly unwelcome, alternative—that the

problem of the payments surplus should resolve itself by general internal price rises. It appears that development along this dangerous road has already begun<sup>(1)</sup>. The very fact that these fears are being expressed in a country which has such strong memories of inflation makes it less likely that a substantial rate of inflation will be allowed to develop.

### The primary producing countries

The check to expansion in the industrial countries during 1960 was reflected in their imports from the primary producing areas and consequently in primary producers' export incomes. Imports from the primary producers by the main industrial countries taken together, and especially imports by the EEC countries, fell in the second quarter of 1960 and again (partly for seasonal reasons) in the third (table 16).

Further, commodity prices were falling in the second half of 1960. So exports of primary producing countries in general during 1960 were either stable or falling. Overseas sterling area exports did better, in 1960 as a whole, than those of other areas, because sterling area commodity prices rose more than those of other areas up to May 1960; but then they also fell back, and by the end of the year—with a particularly sharp fall in December—they had nearly returned to their level at the beginning of 1959 (Appendix, table 24).

While their exports were stable or falling, primary producing countries' imports (except those of Latin America) have continued to rise, and trade deficits have increased (chart 10). Export incomes have, however, been supplemented by a moderately rising inflow of capital during 1960. Figures of capital receipts from the main suppliers—the United Kingdom, the United States, and the international organisations—are shown in table 17. In addition, contributions from smaller capital exporters are rising. Thus Japan's private direct investment in primary producing countries in the first nine months of 1960 was about \$50 million, compared with a total, for all areas, of \$40 million in the whole year 1959. Corresponding figures for Italy show a rise to \$80 million from \$35 million. Estimates for the Communist countries suggest that agreements covering about \$1 billion (mainly in loans) were concluded with under-developed countries in 1958 and again in 1959, and larger amounts in 1960<sup>(2)</sup>, although the actual amounts received have been smaller. Between \$800 and \$900 million of new long-term loans may be provided by Western Germany over a number of years.

<sup>(1)</sup>*Die Lage der Weltwirtschaft und der westdeutschen Wirtschaft*, December 1960.

<sup>(2)</sup>Estimates by US State Department.



Table 16. Major industrial countries' imports from primary producing countries

\$ million

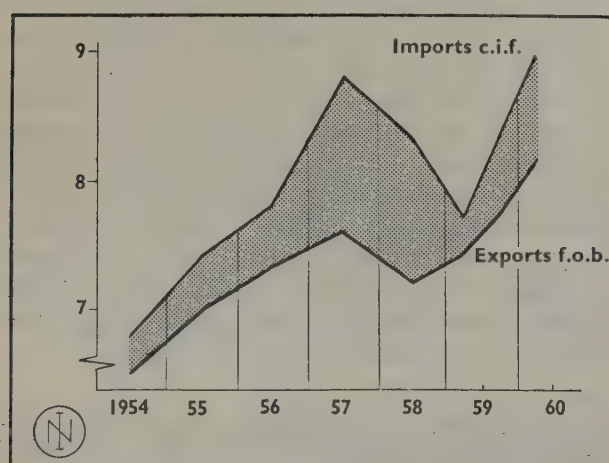
	1958	1959				1960		
		I	II	III	IV	I	II	III
Imports from overseas sterling area by :								
USA .. .. .	301	348	386	370	383	364	385	376
Canada .. .. .	55	59	77	70	67	51	80	84 <sup>(p)</sup>
UK .. .. .	963	1,013	1,002	978	1,052	1,130	1,045	1,023
EEC .. .. .	575	541	619	551	587	698	625	566
Japan .. .. .	250	206	251	221	271	295	302	303
Total of above .. .. .	2,144	2,167	2,335	2,190	2,360	2,538	2,437	2,352 <sup>(p)</sup>
Imports from Latin America by :								
USA .. .. .	884	958	894	834	815	918	931	832
Canada .. .. .	90	88	91	87	88	77	77	82 <sup>(p)</sup>
UK .. .. .	207	215	246	235	205	215	244	220
EEC .. .. .	391	375	410	414	436	429	465	456
Japan .. .. .	65	60	83	85	98	51	74	85
Total of above .. .. .	1,637	1,696	1,724	1,655	1,642	1,690	1,791	1,675 <sup>(p)</sup>
Imports from other primary producers by :								
USA .. .. .	342	405	331	371	326	354	346	359
Canada .. .. .	33	32	34	47	50	26	26	30 <sup>(p)</sup>
UK .. .. .	184	191	185	174	184	221	194	167
EEC .. .. .	955	873	943	864	977	1,120	1,060	945
Japan .. .. .	150	135	166	166	170	209	179	158
Total of above .. .. .	1,664	1,636	1,659	1,622	1,707	1,930	1,805	1,659 <sup>(p)</sup>
Imports from all primary producers by :								
USA .. .. .	1,527	1,711	1,611	1,575	1,524	1,636	1,662	1,567
Canada .. .. .	178	179	202	204	205	154	183	196 <sup>(p)</sup>
UK .. .. .	1,354	1,419	1,433	1,387	1,441	1,566	1,483	1,410
EEC .. .. .	1,921	1,789	1,972	1,829	2,000	2,247	2,150	1,967
Japan .. .. .	465	401	500	472	539	555	555	546
Total of above .. .. .	5,445	5,499	5,718	5,467	5,709	6,158	6,033	5,686 <sup>(p)</sup>

Source : OEEC and national trade statistics.

(p) Provisional.

Chart 10. Primary producing countries : the trade gap

\$ billion, quarterly averages



Source : Appendix table 19, and national sources.

As a result of this inflow of capital only a few primary producing countries (outside the sterling area) have been losing reserves during 1960.

In Latin America, Venezuela has now lost most of the reserves which she gained in 1954 to 1957 partly through the sale of oil concessions, and the attempt to maintain export prices for crude oil higher than effective Middle East prices has resulted in a loss of market share. Consequently controls on imports were tightened and new credits have been arranged. Brazil and Mexico have been losing reserves on a smaller scale. In Argentina, heavy borrowing has made it possible to increase both imports and reserves substantially ; now that the inflation has been checked, prospects for a recovery in private investment there seem favourable and imports are likely to go on rising.

Table 17. Net long-term capital and official grants received by primary producing countries

\$ million, half-yearly rate

	1959		1960	
	1st half	2nd half	1st half	3rd quarter
<b>Overseas sterling area</b>				
From United Kingdom				
Official grants .. .. .	67	67	73	..
Inter-Government loans (net) .. .. .	76	70	81	..
Private long-term capital (net) .. .. .	224	252	252	..
From USA <sup>(a)</sup>				
Non-military grants .. .. .	121	119	142	144
US Govt. long-term capital (net) .. .. .	73	83	138	122
US private long-term capital (net) <sup>(b)</sup> .. .. .	71	80	106	12
From international organisations				
IMF (net) .. .. .	-11	-29	-68	29
IBRD (net) .. .. .	120	41	57	12
<b>Total</b> .. .. .	<b>741</b>	<b>683</b>	<b>781</b>	<b>..</b>
<b>Latin America</b>				
From USA				
Non-military grants .. .. .	63	49	51	48
US Govt. long-term capital (net) .. .. .	153	71	74	18
US private long-term capital (net) <sup>(b)</sup> .. .. .	239	119	166	132
From international organisations				
IMF (net) .. .. .	28	10	63	26
IBRD (net) .. .. .	14	20	16	13
<b>Total</b> .. .. .	<b>497</b>	<b>269</b>	<b>370</b>	<b>237</b>
<b>Other primary producers</b>				
From USA <sup>(a) (c)</sup>				
Non-military grants .. .. .	434	440	426	438
US Govt. long-term capital (net) .. .. .	100	65	107	48
US private long-term capital (net) <sup>(b)</sup> .. .. .	65	118	105	66
From international organisations				
IMF (net) .. .. .	4	-32	11	42
IBRD (net) .. .. .	36	24	97	21
<b>Total</b> .. .. .	<b>639</b>	<b>615</b>	<b>746</b>	<b>615</b>
<b>All primary producers</b>				
From UK (to overseas sterling area only) .. .. .	367	389	406	..
From USA <sup>(a) (c)</sup>				
Non-military grants .. .. .	618	608	619	630
US Govt. long-term capital (net) .. .. .	326	219	319	188
US private long-term capital (net) <sup>(b)</sup> .. .. .	375	317	377	210
<b>Total from USA</b> .. .. .	<b>1,319</b>	<b>1,144</b>	<b>1,315</b>	<b>1,028</b>
From international organisations				
IMF (net) .. .. .	21	-51	6	97
IBRD (net) .. .. .	170	85	170	46
<b>Total from international organisations</b> .. .. .	<b>191</b>	<b>34</b>	<b>176</b>	<b>143</b>
<b>Total, from all sources above</b> .. .. .	<b>1,877</b>	<b>1,567</b>	<b>1,897</b>	<b>..</b>

Source : Cmnd. 1188, Survey of Current Business, IFS.

(a) Iraq is included in overseas sterling area in the first half of 1959. Iceland and the Irish Republic are excluded.

(b) Profits retained by overseas subsidiaries of US companies are excluded.

(c) Japan is included.



### The overseas sterling area

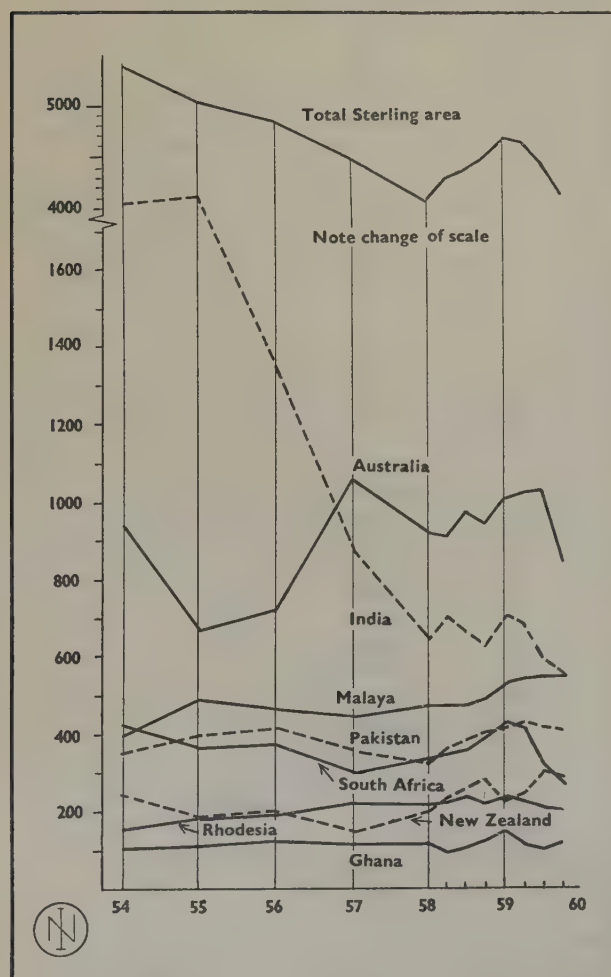
In almost all the sterling area countries, 1960 was a period of falling or stable exports. At the same time, domestic activity in most of these countries was expanding and development plans were going ahead, partly on the basis of the improved export incomes and reserves position gained in 1959. Hence in 1960 there was no fall in imports and some decline in reserves (chart 11).

The present course of commodity prices suggests that no general recovery in exports is in sight until conditions improve in the industrial countries, especially in the United States. Consequently, the principal sterling area countries have been forced to take measures to check or reduce imports either by import restrictions, as in India, South Africa and New Zealand, or by deflationary domestic policies, as in Australia.

So far, the check to expansion in the industrial areas has proved considerably milder in its effects on

**Chart 11. Sterling area gold and foreign exchange holdings<sup>(a)</sup>**

\$ million, end of period



Source: Appendix table 25, IFS.

(a) Excluding the United Kingdom and the oil-producing countries in the sterling area.

sterling area exports than the recession in 1957-58, when overseas sterling area exports—and, after some delay, their imports—were significantly reduced. Thus although the increase in overseas sterling imports is now likely to level off, there may be little actual reduction.

### Australia

Australia exhibits the contrast between an expanding domestic economy and a worsening payments balance. It is particularly significant that in spite of the drastic fall in farm income—a reduction of over one-third on the first nine months of 1960—and the comparative stability of exports, total domestic expenditure should have risen by more than 10 per cent (table 18). Further, more than one-third of the increase in domestic expenditure in the first nine months of 1960 was derived from the 25 per cent rise in imports; national output rose only 8 per cent.

The Australian expansion in 1960 has been marked by rising fixed investment (an increase of 20 per cent) and by rising consumption (a rise of 10 per cent) accentuated by increasing accumulation of stocks other than of farm products; the figures suggest that much of the increase in imports must have been going into stock. The domestic expansion has been fed by a 16 per cent rise in bank advances during the year (table 19).

In February 1960, the Australian Government took the final step in renouncing the general use of import licensing, the weapon most used throughout the post-war period to combat the periodical fluctuations in the foreign balance. The balance of payments situation was causing the Government less concern in 1960 than the threat of domestic inflation. The Bank's published gold and foreign exchange reserves in mid-January 1961 still amounted to £A314 million in spite of a decline from the middle of the year, and drawing rights with the IMF added another £A200 million—against annual imports of goods and services of about £A1,300 million. When import licensing was ended, the Government said it was fully prepared to meet a large foreign exchange deficit from reserves.

The first official steps to check the expansion of domestic demand were also taken in February 1960. They included intervention before the Arbitration Commission which was considering the basic wage; the Government presented there a case against a general wage increase. At the same time, the efforts of the Reserve Bank to reduce liquidity were supported. In August, the Budget for 1960-61 increased taxation and checked the increase in Government expenditure.

Efforts by the Reserve Bank to restrain further expansion of bank credit throughout 1960 failed to stop advances rising. In November therefore the Government announced a selective increase in over-

**Table 18. Australia : national income and expenditure**

£A million

	1959 January to September	1960 January to September	Per cent change
<b>Income payments and other charges</b>			
Wages, salaries, etc. . .	2,297	2,570	+ 11.9
Farm income . . . .	281	175	- 37.7
Other income and depreciation allowances . . . . .	1,548	1,686	+ 8.9
Indirect taxes less subsidies . . . . .	540	610	+ 13.0
<b>Gross national product</b>	<b>4,666</b>	<b>5,041</b>	<b>+ 8.0</b>
Imports of goods and services . . . . .	794	990	+ 24.7
<b>Total market supplies</b>	<b>5,460</b>	<b>6,031</b>	<b>+ 10.5</b>
<b>Expenditure on goods and services</b>			
Personal consumption	2,966	3,250	+ 9.6
Public authorities . .	896	950	+ 6.0
Financial enterprises . .	51	57	+ 11.8
Gross private fixed investment . . . .	832	996	+ 19.7
Investment in stocks:			
Farm . . . . .	-26	-118	
Non-farm . . . .	54	152	
Discrepancy . . . .	-48	- 33	
<b>Gross domestic expenditure . . . .</b>	<b>4,725</b>	<b>5,254</b>	<b>+ 11.2</b>
Exports of goods and services . . . . .	735	777	+ 5.7
<b>Total market expenditure . .</b>	<b>5,460</b>	<b>6,031</b>	<b>+ 10.5</b>

Source: *Quarterly Estimates of National Income and Expenditure*, Bulletin No. 1, September Quarter, 1960. (Commonwealth Bureau of Census and Statistics, Canberra).

draft rates coupled with increases in deposit rates and a request to the banks to reduce outstanding advances substantially by March 1961. The banks were requested to give preference to exporting industries and to be particularly restrictive in giving loans for financing imported stocks, for hire purchase companies and for other financial dealings. At the same time the sales tax on motor vehicles was raised from 30 to 40 per cent, a number of taxation measures were announced to make it more difficult for the so-called fringe financial institutions to expand their activities, and the Government announced its intention of requiring insurance companies and pension funds to hold not less than 30 per cent of their total assets in the form of Government and semi-governmental securities.

The effect of these measures is still uncertain.

The expansion of domestic expenditure should be slowed down and a reduction in imports is expected. The rise in imports was indeed checked in the fourth quarter.

#### *New Zealand and South Africa*

In New Zealand, too, there is some concern about inflation, although less marked than in Australia. Incomes have been rising; the index of weekly wage rates rose 6 per cent in the nine months ending June 1960. There was a moderate increase (8 per cent) in bank advances during the year to September 1960 but much of this was due to the financing of the Government's deficits (table 19). The worsening of the balance of payments situation was not very great; the reserves were rising up to mid-1960 but fell in the third quarter. The import schedule, announced in September, provides for private imports of £240 million in 1961—the same figure as that for 1960; this may indicate a slight fall compared with current levels, as imports were rising during the past year.

South Africa's domestic expansion has been accompanied by a serious weakening in her balance of payments. This was due only in part to an increase in the trade deficit: a 15 per cent rise in imports in 1960 compared with 1959 (first ten months) was almost offset by the rise in gold sales, although other exports rose only 5 per cent. The heavy fall in reserves—from £152 million at the end of 1959 to £91 million in December 1960—was due rather to the net outflow of capital. This outflow may have contributed to the substantial rise in bank credit (23 per cent in the year ending September 1960).

The low level of South Africa's reserves has resulted in licensing restrictions on imports. Imports are to be reduced by £30 million a year (5-6 per cent); one-third of the saving is to come from a 25 per cent cut in car imports. Stocks are reported to have been heavily built up last year.

#### *India*

India's foreign exchange problem is of a more permanent character. The trade deficit—exceptionally, among the major sterling countries—was indeed slightly smaller in 1960 than in 1959, with some rise in exports due to the rise in jute and tea prices. But the persistent trade deficit over recent years—India's exports have shown no long-run upward trend over the past decade—has been supported by almost continuous running down of her sterling reserves, in spite of tight control of imports and in spite of the volume of external loans received. After a seasonal rise in the fourth quarter, Indian reserves were still only just over £200 million—and they have been falling by £90 million a year on the average of the past five years.



Table 19. Bank credit outstanding in major sterling area countries

*Per cent change on a year earlier*

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Australia <sup>(a)</sup> .. .. .	—	—	—	—	+ 10.5	— 4.8	— 2.7	+ 10.2	— 2.0	+ 16.0
New Zealand <sup>(b)</sup> .. .. .	+ 38.0	+ 19.6	— 13.7	+ 23.1	+ 6.5	— 10.2	— 0.5	+ 3.1	+ 0.1	+ 7.9
India <sup>(c)</sup> .. .. .	—	—	—	—	—	+ 23.1	+ 11.1	+ 5.7	+ 9.7	+ 25.0
Pakistan <sup>(d)</sup> .. .. .	—	—	—	—	—	+ 6.6	+ 22.4	+ 10.9	+ 9.2	+ 23.6
Union of South Africa <sup>(e)</sup> ..	+ 49.3	— 0.6	+ 9.5	+ 12.5	+ 14.4	— 1.2	+ 12.8	+ 0.8	— 1.4	+ 23.2

Source : National sources.

(a) Advances, end of September.

(b) Advances and discounts, end of September.

(c) Advances last Friday of September.

(d) Advances and discounts, end of July.

(e) Loans and discounts, end of September.

The Indian industrial economy was advancing again in 1960, with a 10 per cent rise in industrial production, but at the cost of some pressure on prices. Credit policy has been used to moderate the inflation, including the introduction of variable reserve requirements as well as selective control on credit. Nevertheless, bank advances rose by 25 per cent in the year ending September 1960 (table 19).

Negotiations are in progress to obtain foreign credits to meet the payments gap in the last stages of the second five-year plan and the wider gap opening for the beginning of the third plan (starting in April 1961). Meanwhile, the licensing arrangements for the six months ending March 1961 provide for further cuts on a wide range of imports.

## CHAPTER 3. THE UNITED KINGDOM BALANCE OF PAYMENTS

Nineteen-sixty was by far the worst year for the United Kingdom current balance since 1951. The £100 million deficit recorded in the third quarter will probably prove to have been repeated in the fourth and the deficit for the year was probably about £150-175 million (table 20). Private investment overseas appears to have been maintained at a fairly normal level and the net outflow on inter-Governmental loans was higher than usual. Moreover, the overseas sterling area drew heavily on its sterling balances, perhaps by about £200 million. Yet after payment of £127 million to the IMF during the year, the reserves rose by £177 million.

This paradoxical result is due to a capital inflow, particularly in the second half of the year, on an unprecedented scale. A rough attempt is made in table 21 to estimate the amount of this 'abnormal' capital inflow during 1960. The definitions of 'abnormality' are necessarily arbitrary and some of the figures are little more than guesses.

In the top part of the table are set out estimates of the transactions resulting from the flow of trade and services, from Government grants and loan transactions, and from the general trend of private long-term capital movements in recent years. From the balance thus obtained the normal 'balancing item' is subtracted (representing net receipts which are not identified in the official statistics.) The fall in sterling holdings of the overseas sterling area and of the international organisations other than the IMF is added, since these movements do not reflect 'abnormal' changes in the international capital markets. In total, these 'normal' items show a deficit of £623 million. In addition IMF sterling holdings were reduced by £139 million (partly by other countries' sterling drawings). Thus had no other element been present the result would arithmetically have been a fall in the reserves of over £750 million. Since the reserves in fact rose by £177 million, this implies a net capital inflow of an 'abnormal' character, of close to £950 million.

The lower part of the table exhibits some of the constituents of the 'abnormal' capital inflow. Up to the end of the third quarter it came mainly in the form of sterling deposits by non-sterling countries; in the fourth quarter, the rise in non-sterling holdings may have been less, but the receipts of £131 million for the purchase of the British Ford Company were a major item. Indeed the smallness of the rise in the reserves during December, when the Ford payment was made, together with the movement of the sterling/dollar exchange rate, suggest that other elements in the 'abnormal' capital inflow were much reduced in the last few weeks of the year

(table 21).

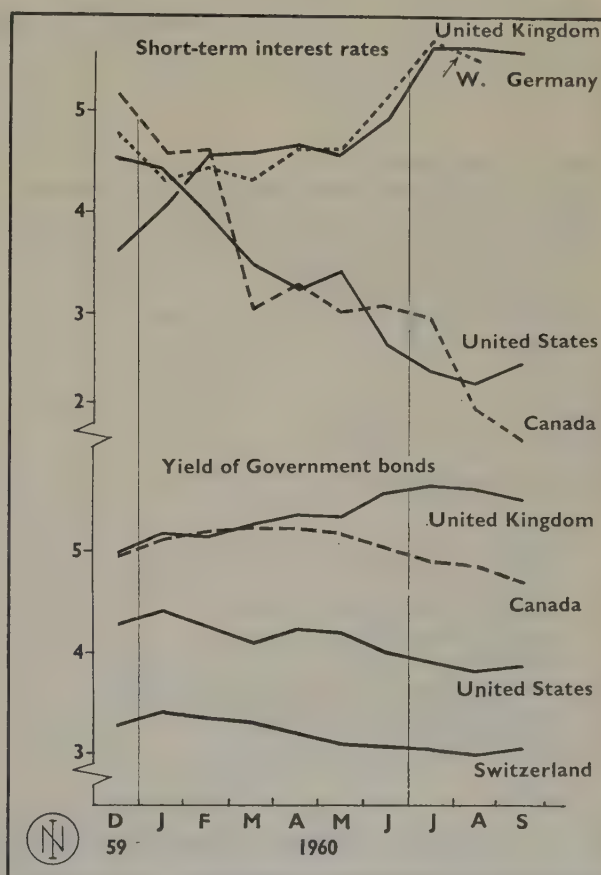
The inflow was to a large extent due to the relatively high level of interest rates (both short-term and long-term) in London compared with other centres (chart 12). Uncertainties about the US dollar and the Belgian franc also contributed, as did the measures taken to discourage short-term investment in Germany and Switzerland. It is, however, a rather surprising mark of confidence in sterling at a time of underlying weakness that foreigners should have bought it on such a heavy scale, apparently often without covering themselves by forward sales. Sterling holdings of Western European countries rose by much more than those of the United States and Canada; about two-fifths of the rise in Western European holdings was due to central banks and other official funds.

### Exports

The most disappointing feature of the British economy in 1960 was the weakness of exports. They declined in the second and third quarters after rising during 1959 to a peak in the first quarter of 1960.

Chart 12. Interest rates in selected countries

Per cent



Source : OEEC General Statistics.



Table 20. United Kingdom : general balance of payments

£ million

	1959 Year	1960				1960 Year
		I	II	III	IV	
Imports .. .. .	3,616	972	996	1,009	1,060	4,037
Exports .. .. .	3,556	984	957	876	960	3,777
Visible balance .. .. .	- 60	+ 12	- 39	-133	-100	-260
Invisibles (net) .. .. .	+199	+ 32	+ 30	+ 32	—	+ 94
<b>Current balance .. .. .</b>	<b>+139</b>	<b>+ 44</b>	<b>- 9</b>	<b>-101</b>	<b>-100</b>	<b>-166</b>
Government long-term capital (net) .. .. .	-353	- 17	- 21	- 15	- 45	- 98
Private long-term capital (net) .. .. .	-200	- 30	- 70	} + 41	} +309	+789
Errors and omissions .. .. .	+ 42	+ 30	+ 35			
Miscellaneous capital .. .. .	+ 17	+ 21	+ 10	+ 80		
Overseas sterling holdings						
Non-sterling countries .. .. .	- 31	+ 19	+118	+226		
Overseas sterling area .. .. .	+185	- 34	+ 4	- 97	- 70	-197
Non-territorial .. .. .	+ 82	- 17	- 27	- 57	- 50	-151
Reserves (increase—) .. .. .	+119	- 16	- 40	- 77	- 44	-177

Source : *Economic Trends*, except for 1960 IV and 1960 year, which are NIESR estimates.Table 21. The capital inflow in 1960<sup>(a)</sup>

£ million

	1st half	III	IV	1960 Year
<b>' Normal ' transactions</b>				
Current balance (with normal timing of import payments) ..	- 15	-101	-100	-216
Government long-term capital (net) .. .. .	- 38	- 15	- 45	- 98
' Normal ' private long-term capital (net) .. .. .	-100	- 50	- 50	-200
' Normal ' errors and omissions .. .. .	+ 50	+ 25	+ 25	+100
Changes in sterling holdings				
Overseas sterling area .. .. .	- 30	- 97	- 70	-197
Non-territorial <sup>(b)</sup> .. .. .	- 11	—	- 13	- 12
<b>Balance .. .. .</b>	<b>-144</b>	<b>-238</b>	<b>-241</b>	<b>-623</b>
<i>Fall in IMF sterling holdings</i> .. .. .	- 33	- 57	- 49	-139
<i>Rise in reserves</i> .. .. .	- 56	- 77	- 44	-177
<b>' Abnormal ' capital inflow .. .. .</b>	<b>+233</b>	<b>+372</b>	<b>+334</b>	<b>+939</b>
<i>of which</i>				
' Lag ' in import payments .. .. .	+ 50	—	..	..
Ford deal .. .. .	—	—	+131	+131
Other ' abnormal ' long-term capital .. .. .	—	} + 66	..	..
' Abnormal ' errors and omissions .. .. .	+ 15		..	..
Miscellaneous capital .. .. .	+ 31	+ 80	..	..
Sterling holdings of non-sterling area countries				
Central banks and other official funds .. .. .	+ 62	+ 80	..	..
Other funds .. .. .	+ 75	+146	..	..
<b>Total .. .. .</b>	<b>+233</b>	<b>+372</b>	<b>+334</b>	<b>+939</b>

Source : NIESR estimates.

(a) +, inflow on capital account; outflow, —.

(b) Excludes IMF.

Table 22. Trends in United Kingdom exports

£ million, 1954 prices, quarterly averages, seasonally adjusted

	1959				1960			
	I	II	III	IV	I	II	III	Oct./ Nov. <sup>(a)</sup>
<b>By area</b>								
United States .. .. .	74	92	85	83	88	81	62	66
Canada .. .. .	44	46	47	54	58	47	42	50
Western Europe .. .. .	197	210	215	223	230	232	230	242
Japan .. .. .	7	9	7	7	5	6	7	8
Eastern area .. .. .	18	16	21	23	26	30	24	22
Overseas sterling area .. .. .	295	317	317	340	326	334	341	327
Latin America .. .. .	36	36	37	35	42	36	42	39
Other primary producers .. .. .	52	46	42	47	55	52	46	50
Net adjustment <sup>(b)</sup> .. .. .	+3	-5	+7	-4	+2	-10	+5	+5
<b>By commodity</b>								
Food, beverages and tobacco	40	46	50	51	49	47	48	51
Basic materials and fuels ..	67	67	64	69	74	67	64	71
Chemicals .. .. .	72	79	84	82	85	92	96	95
Textiles .. .. .	61	66	64	67	69	65	64	63
Metals .. .. .	65	63	78	80	77	71	68	71
Metal goods <sup>(c)</sup> .. .. .	36	41	38	43	42	45	41	49
Machinery .. .. .	160	171	173	178	186	183	185	191
Transport equipment .. .. .	125	135	125	129	143	136	121	112
Other manufactures .. .. .	79	83	79	91	84	86	85	93
Animals and parcels .. .. .	18	19	20	21	19	19	19	23
Net adjustment <sup>(b)</sup> .. .. .	+3	-3	+3	-3	+4	-3	+8	-10
<b>Total .. .. .</b>	<b>726</b>	<b>767</b>	<b>778</b>	<b>808</b>	<b>832</b>	<b>808</b>	<b>799</b>	<b>809<sup>(d)</sup></b>

Source: Board of Trade Journal, and NIESR estimates.

(a) Quarterly rate. Assumes average values unchanged from third quarter.

(b) Figures for individual area and commodity groups as estimated by NIESR do not add exactly to the total. This is derived from published Board of Trade estimates on the assumption that average values are not affected by seasonal factors.

(c) Not seasonally adjusted.

(d) The estimate for December is £836 million and for the fourth quarter £816 million.

At the end of the year, there was a slight recovery, but the value of exports (seasonally adjusted) in the final quarter of the year was 3 per cent less than in the first. The fall in volume was less (table 22).

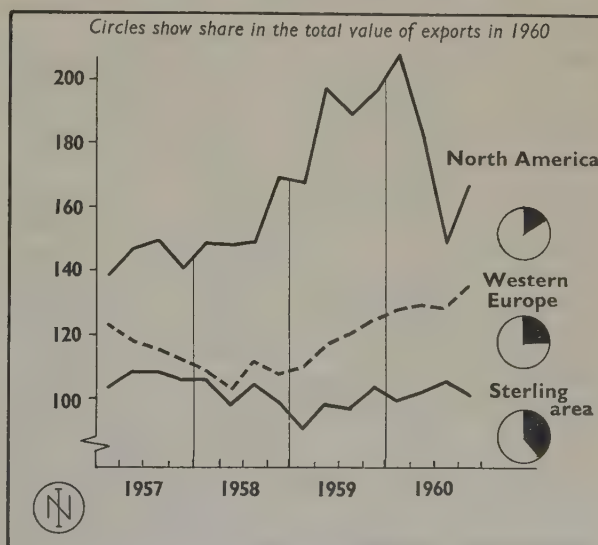
The decline in sales of cars to North America alone accounted for a fall of about 2 per cent in total British exports between the first and fourth quarters. Exports of other goods to North America also fell during the year. Exports to the overseas sterling area fell at the end of the year to the same level as in the first quarter, after having risen in the intervening months. Exports to the Eastern Area rose steeply up to mid-1960, and then fell back. Exports to Latin America and to other primary producers were also high at the beginning of the year because of big deliveries of ships and aircraft; apart from these large items, they have been fairly steady.

The only favourable market, to offset the declines in exports to North America and the broadly stable level of exports to the primary producers, was Western Europe. Exports to these countries probably rose about 5 per cent in volume between the first quarter

of 1960 and October-November (chart 13 and table 22).

Chart 13. Volume of exports, by area

Index numbers, 1954 = 100, seasonally adjusted



Source: Appendix table 16 and NIESR estimates.



In most of the major commodity groups, the pattern of exports during 1960 was very similar—a peak in the first quarter followed by a dip in the second and third quarters, with some recovery at the end of the year. The main exceptions are: chemicals, where there was no decline in the middle of the year and a rise of perhaps 12 per cent in volume from the first quarter to the end of 1960; textiles, where the decline was fairly steady during the year; and transport equipment where the decline (chiefly in motor cars) continued throughout the year after a good first quarter.

Broadly, these industries which have had strong home markets during the year have also gained exports; the dramatic losses of exports (notably cars) have been in industries where home demand also weakened during the year. There are, however, signs of expansion in the exports of some household appliances after their home market weakened, although the value of these exports is still very small.

In Britain's best export market in 1960—Western Europe—the increase in exports was distributed over a wide range of commodities. In table 23, British and German exports to Western Europe are shown for those goods in which British exports rose particularly fast between the first halves of 1959 and of 1960; these are metal manufactures, scientific instruments, base metals and non-electrical machinery.

Of these items, metals show the normal pattern, with German exports to Western Europe rising much faster than those of the United Kingdom. But British exports to Western Europe of scientific instruments, metal manufactures and non-electrical mach-

inery grew faster than those of Germany.

This suggests that in some goods Britain has shown greater competitive strength than Germany, possibly as a result of increased German delivery delays: for instance, non-electrical machinery is one of the items for which German order books have been rising fastest. (On the other hand, British exports of electrical machinery to Europe did not rise very much in 1960 although the pressure on the German industry was nearly as strong.) Over the whole range of goods sold to Europe, the fact remains that Britain has been gaining exports at a slower rate than Germany and that most of the rise in British exports was the result of the remarkable buoyancy in total demand in Western Europe.

In the world market as a whole, the United Kingdom's share of trade in manufactures has continued to decline. The rate of decline accelerated during 1960 (Appendix table 21).

There are signs of a continuing tendency for markets in the primary producing countries to become less closely attached to their traditional suppliers. Total United States exports were again smaller to Latin America in 1960; United Kingdom exports sold relatively well there and in other primary producing countries outside the sterling area. British losses are still heavily concentrated in the sterling area.

There is no single explanation of the further decline in the British share of trade. It is impossible to prove that the export weakness is the result of excessive prices, although British export prices have risen more since 1953 than those of Germany, France and Japan (although less than in the United States), and the gap has widened in the past two years (table 24). These figures of average export values, however, can relate only to the trade actually done. They do not reflect the prices of goods which fail to sell.

#### Export differences between firms

One of the features of the industrial enquiry conducted last October was the striking differences of export experience between the firms interviewed, even between those in the same lines of production. A number of suggestive points emerge from a comparison between 20 engineering firms who can be regarded as conspicuously 'successful' exporters (firms with a substantial increase in export business in the past three or four years and now exporting at least 30 per cent of their output) with another 20 who appear as 'unsuccessful' exporters (their exports having been stable or falling, and their export proportion under 30 per cent). These 40 firms are about half of the engineering firms interviewed in the enquiry (excluding vehicle manufactures) who provided information about export experience; they are drawn from the two ends of the export spectrum.

**Table 23. Selected United Kingdom and German exports to OEEC countries<sup>(a)</sup>**

	\$ million		
	1959 1st half	1960 1st half	Per cent increase
Base metals : United Kingdom	111.4	138.9	+ 24.1
Germany ..	209.5	399.5	+ 90.7
Metal manu- factures : United Kingdom	46.3	62.5	+ 35.0
Germany ..	98.0	123.8	+ 26.3
Non-electrical machinery : United Kingdom	253.4	311.5	+ 22.9
Germany ..	528.6	614.5	+ 16.3
Scientific instru- ments : United Kingdom	17.9	24.0	+ 34.1
Germany ..	70.7	83.0	+ 17.4
All exports : United Kingdom	1,313.0	1,530.7	+ 16.6
Germany ..	2,599.0	3,287.0	+ 26.5

Source : OEEC Trade Statistics.

(a) Includes Iceland and the Irish Republic.

Table 24. Average values of exports of manufactures

Index numbers, 1953 = 100

	1958	1959				1960		
		I	II	III	IV	I	II	III
United Kingdom <sup>(a)</sup> .. ..	110	110	110	109	112	112	112	113
United States <sup>(b)</sup> .. ..	113	115	115	116	117	118	117	119 <sup>(c)</sup>
Western Germany <sup>(b)</sup> .. ..	106	106	106	105	105	105	107	107
France <sup>(a)</sup> .. ..	104	91	96	95	97	101	101	101 <sup>(c)</sup>
Japan <sup>(c)</sup> .. ..	90	88	89	90	91	93	93	93

Source: OEEC General Statistics, IFS and Japanese trade accounts.

(a) Manufactured products.

(b) Finished products.

(c) Estimated.

First, the 'successful' exporters emerge as the firms whose *total* output has been rising fastest; during the past year their output has risen on average more than 10 per cent, while the total output of the 'unsuccessful' exporters has risen only 4 per cent. It seems that the 'successful' exporters are those who have also been making progress in the home market.

Secondly, well over half the firms in each group say that their exports are less profitable than their home sales. Only one in each group finds exports more profitable; the rest admit no substantial difference. Among the 'successful' exporters, the lower export profits seem to reflect high margins on home sales rather than unprofitable exports.

Thirdly, an attempt to distinguish the reasons for lack of success among the 'unsuccessful' exporters showed a number whose home market is especially well protected in various ways; a number admitted inability to compete on price and about an equal number admitted superiority of the competing foreign product in design and quality. Delivery problems are significant in about half the firms but are not conspicuously greater for the 'unsuccessful' exporters.

Fourthly, about a third of the firms in each group referred to the difficulties or cost of credit as an obstacle to export, although there were few suggestions that foreign competitors found credit more easily. The special credit problems mentioned are restricted to certain markets—especially Latin America and other under-developed areas.

Fifthly, although the 'unsuccessful' group includes more small firms than the 'successful', yet firms of all sizes—with payrolls of under 1,000 to over 10,000—are found in both groups.

Finally, a majority of firms in both groups indicated plans to export more, including plans to enter new markets; the United States and the Communist countries were mentioned most often. In both groups, most firms say that efforts to export more are based principally on the development of new or

improved products.

These differences in experience run through all branches of the engineering industry covered; only in one branch—producing for a buoyant market—do the 'unsuccessful' exporters predominate and here most of the firms admit inferiority to foreign competitors in design and innovation as well as uncompetitive prices.

The firms investigated cannot necessarily be taken as a representative sample of British industry. Yet they support the view that the difference between success and failure in expanding exports depends as much on the firm, and on its management, as on external economic circumstances.

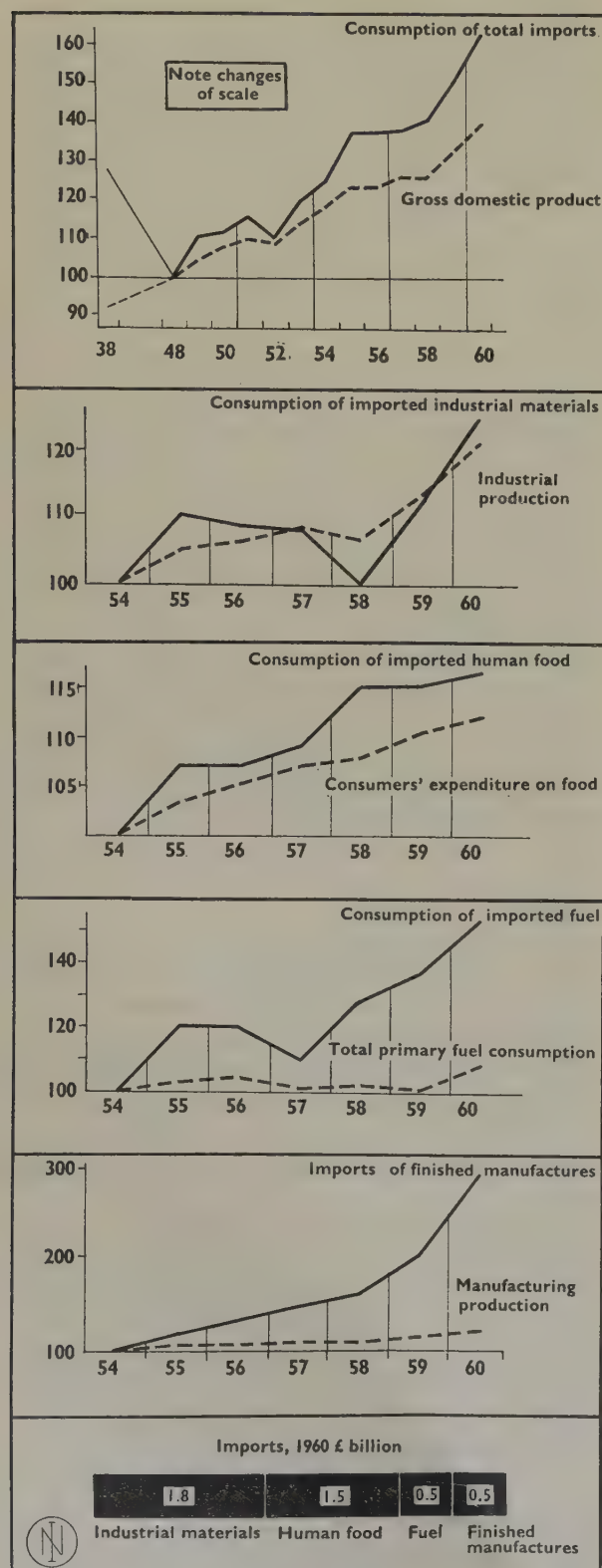
### Imports

The sharp rise in imports was one of the striking features of 1960. Most of the increase took place between the end of 1959 and the middle of 1960; since then, apart from seasonal movements, the volume of imports has been rising more slowly. In the fourth quarter of 1960, imports were about 18 per cent more than in the first nine months of 1959. Meanwhile, total final demand has risen only about 5 per cent.

The continuing tendency for imports to rise faster than domestic output is exhibited in Chart 14. The general trend towards greater dependence on imports applies to each of the main categories of goods. Moreover, imports grew faster than output in each year of expansion and even in years of stable or falling output (except 1952) imports never declined.

Part of the rise in imports in 1960 was due to a temporary factor—the increase in stocks of imported commodities (discussed on page 6). This factor was no doubt still present in the fourth quarter; so far as it can be measured from the stock statistics available, it accounts for between a quarter and a third of the increase in the volume of imports up to the end of last year. In 1960 as a whole, the increase in



Chart 14. Imports,<sup>(a)</sup> production and consumptionIndex numbers<sup>(b)</sup>

Source: Appendix tables 1, 2, 8, Trade and Navigation Accounts, Board of Trade Journal, NIESR estimates.

(a) Consumption of imports represents retained imports, adjusted for identifiable stocks changes. 1960 is estimated.

(b) In the top chart, 1948 = 100; in the rest 1954 = 100.

recorded stocks of imported commodities amounted to perhaps £100 million and thus accounted for over half the deficit on current account. Less easily identifiable increases in stocks of imports must have added more.

Another element which should be only temporary was the rise in imports of steel, which also resulted largely in an increase in stocks (see page 9) and which accounted for about one-tenth of the rise in the total import bill.

Against this may be set a second factor, which may also be temporary. Food imports increased in volume in 1960 only about 1 per cent. This must be partly due to the good harvests of 1959.

Of more permanent significance was the rise in imports of finished manufactures—an increase of 45 per cent in value in the first eleven months of 1960 compared with 1959 (while total domestic expenditure on manufactures rose less than 10 per cent). This was a much greater rise than in any earlier year and alone accounted for nearly one-third of the rise in the total import bill.

The share of imports in total home supplies of a wide range of manufactures is shown in table 25. Although imports account for over half of the total home market for relatively few commodities (gloves, watches and cameras), there are many for which imports account for at least a quarter (including typewriters, 'other office machinery', machine tools, textile and packing machinery, woven cotton and jute fabrics, motor cycles and clocks). There are also many consumer goods for which the share of imports is less than a quarter, but where it has been increasing fast in the last two years: the shares of imported footwear, cutlery, radio sets, toys and plastic manufactures have all very roughly doubled between 1958 and 1960. The shares of imported cars and refrigerators in the home market increased still faster, but for these supply difficulties at home were a major reason. One reason for the spurt of imports in 1960 was the liberalisation of dollar imports. As a result, imports of manufactures from North America rose in 1960 by 101 per cent. But imports from Western Europe also rose by 26 per cent.

### Prospect for imports

Two factors are likely to reduce imports for at least some months during 1961. First, the large accumulation of stocks of imports which went on during most of 1960 must at some stage slow down or cease. Cessation of direct stock building of imported commodities could relieve the import bill by £100 million as compared with the second half of 1960. There might, for a time, be some de-stocking. It is however impossible to forecast exactly how large this relief would be, or for how long it would last. It is

Table 25. The share of imports in home supplies<sup>(a)</sup>

Per cent

	1938	1950	1954	1958	1959	1960 <sup>(b)</sup>
<b>Capital goods</b>						
<i>Machinery</i>						
Internal combustion engines <sup>(c)</sup> .. .. .	4	4	4	5	5	8
Agricultural machinery .. .. .	..	6	7	8	8	8
Tractors .. .. .	..	4	4	12	8	11
Typewriters .. .. .	69	23	18	32	35	43
Accounting machines .. .. .	52	24	24	28	27	28
All other office machinery .. .. .	61	5	21	31	39	44
Machine tools .. .. .	44	20	26	23	23	26
Excavating and earth-moving machinery .. .. .	..	9	13	16	14	20
Mechanical handling equipment .. .. .	..	2	4	6	8	8
Mining machinery .. .. .	..	2	6	6	3	3
Food and drink machinery .. .. .	..	2	7	9	9	12
Compressors, exhausters .. .. .	17	12	16	19	13	15
Pumps .. .. .	25	3	3	6	6	8
Textile machinery .. .. .	21	17	21	24	25	28
Packing machinery .. .. .	..	7	17	15	23	28
<i>Ships</i> .. .. .	..	1	2	18	11	11
<b>Consumer goods</b>						
<i>Clothing and footwear</i>						
Stockings and socks .. .. .	12	2	1	2	2	3
Pullovers, jumpers and cardigans .. .. .	..	..	0	1	2	4
Gloves .. .. .	47	7	20	42	48	53
Footwear .. .. .	10	4	7	13	15	22
<i>Textile manufactures</i>						
Cotton woven fabrics .. .. .	2	16	15	25	32	40
Cotton yarns .. .. .	0	2	1	1	1	3
Woollen and worsted yarns .. .. .	..	1	1	1	1	1
Woollen and worsted woven fabrics .. .. .	5	8	3	6	6	6
Carpets, woollen .. .. .	12	14	5	5	5	6
Man-made yarns .. .. .	1	2	1	2	1	2
Jute yarns .. .. .	..	5	4	1	2	2
Jute fabrics .. .. .	..	41	47	35	38	37
<i>Transport equipment</i>						
Cars .. .. .	3	0	1	2	4	7
Motor cycles (all types) .. .. .	..	..	3	23	35	32
<i>Other manufactures</i>						
Radio sets and radiograms .. .. .	..	..	1	1	3	3
Domestic refrigerators .. .. .	..	..	2	1	11	16
Cameras .. .. .	..	24	38	47	61	62
Watches .. .. .	..	62	39	47	45	54
Clocks .. .. .	..	5	18	18	16	25
Cutlery .. .. .	..	1 <sup>(d)</sup>	5	7	11	16
Brooms and brushes .. .. .	..	2	2	2	2	3
Toys .. .. .	..	4	5	8	11	19
Plastics manufactures .. .. .	..	10	9	13	14	20

Source : Trade and Navigation Accounts, Monthly Digest of Statistics and NIESR calculations.

(a) Home supplies equal home production plus imports minus exports.

(b) 1960 is estimated on the basis of the latest available figures of production and trade ; italics mean that production has been estimated.

(c) Excluding marine engines and engines for aircraft and road vehicles.

(d) 1948.



reasonable to expect that by the end of the year normal stock-building will be resumed.

Second, there should be relief from the cessation of the exceptional imports of steel which occurred in 1960. Further, there were large purchases of imported aircraft in 1960 which are not likely to be repeated. These reductions should together save about £100 million in 1961 compared with 1960 as a whole.

On the other hand, it cannot be expected that the rising trend of imports of manufactured goods will come to an end yet. Moreover, food imports may well increase this year and the rise in total domestic output suggested below (page 42) will cause an increase in consumption of imported materials and fuel and of machinery for the large investments programmes.

Import prices may fall for a time, but later in 1961 they are likely to rise again as a result of world industrial expansion.

The best guess that can be made at present is, therefore, that the value of imports will fall for a time in 1961 but that by the end of the year the rate of imports will be rather higher than at the end of 1960.

### **Prospect for exports**

In the early part of 1961, there is little prospect of more than a modest growth of international trade in manufactures, except in Western Europe. An American recovery should bring about a more rapid expansion in world trade, but its effects on the imports of primary producing countries may not be seen before the end of the year. A reversal of the declining trend in the British share of world markets can hardly be expected yet, so that the prospect for British exports in most markets cannot be regarded as favourable in the immediate future.

Prospects in the main market areas, as they appear at present, are summarised in the following paragraphs.

Exports to North America may at least be maintained for some time at the reduced levels reached in the latter part of 1960. They may be expected to rise when business activity in the United States picks up, but it is hardly likely that exports to North America in the whole year 1961 will exceed the 1960 figure.

In the overseas sterling area, total imports are unlikely to rise further in the early months of 1961, and the British share has been consistently falling; there is little reason to hope that this trend will suddenly cease. No rise in exports to the overseas sterling area as a whole can be foreseen until some time after world expansion has brought about a

significant rise in commodity prices and export incomes of these countries.

In other primary producing areas, including Latin America, the immediate prospect is a little more favourable. The British share has been generally maintained in these markets.

The best prospect for expansion of exports lies in continental Western Europe, where British exports were rising in the latter part of 1960. The expansion of the total market has offset the fall in the British share. In the past two years, the volume of British exports to continental Western Europe has risen by about a quarter, while their total imports have risen in volume by about one-third. Total imports of manufactures into the area will almost certainly continue to rise. There is encouraging evidence that an increasing number of British firms, especially in capital goods, are taking the opportunities open to them in Western Europe, and are expecting a significant further rise in exports.

The competitive position of British exports in Western Europe will, however, not be easy. The tariff revisions of January 1st 1961, under the Common Market arrangements, have raised the external tariffs in Germany and Benelux, while on balance reducing the external tariffs of France and Italy. Meanwhile tariffs on trade in industrial products between the EEC countries were reduced by another 10 per cent. The increased advantages to the exports of member-countries may however be offset by the rising pressure of demand on capacity in Germany. This has lengthened delivery dates substantially in a number of industries and is beginning to affect costs.

The opportunities for competition thus opened up may not, however, last for long, since German output is rising in response to demand and since British delivery delays on capital goods are likely to lengthen if, as seems likely, the domestic investment boom continues in 1961. Moreover, there are other competitors in the field; in addition to the other members of the EEC, United States exporters are very clearly alive to the possibilities of the continental markets, as is shown by the expansion of American exports there. Japanese exports to the area are also rising fast.

There is some prospect for further expansion in British exports of manufactured goods to the Soviet bloc and China. They rose substantially in the early part of 1960. Major contracts announced during 1960 for machinery and other items amount to about £60 million, for delivery over a number of years in some cases. This compares with exports of machinery to the Soviet bloc and China of about £35 million in 1960.

On balance, therefore, there is reason to expect a slight rise in total British exports in early 1961, con-

centrated mainly on Western Europe which now takes just over a quarter of our total exports. Later in the year, if expansion is resumed in the United States, there is hope of a more widespread increase.

### **Prospect for invisibles**

The trend of net income on invisible account still seems to be downward, and there is little prospect of improvement in 1961. There are several adverse factors: freight rates for tramp shipping services, of which Britain is a net purchaser, may well rise as the amount of laid-up shipping has fallen by two-thirds in the past year; the balance on travel may continue to worsen; relaxations of exchange controls may increase private remittances abroad; the German contribution to British forces in Germany ceased during 1960; and receipts from United States and Canadian forces will probably fall. These are hardly likely to be offset by the favourable factors: the probable slight reduction in payments on overseas sterling holdings if interest rates are unchanged; and the possible increase in income from oil transactions.

### **Prospect for the current balance**

Apart from normal seasonal factors, therefore, the prospects are for improvement in the first part of the year as a result of a slight rise in exports and a significant fall in imports. Later imports are likely to grow again at least as fast as exports. Seasonal factors are likely to reinforce a tendency for the first half of the year to be better than the second. The best estimate that can be made at present is that in the first half of 1961, the deficit on current account will be much reduced, and might even disappear. For the year as a whole, a large current account deficit at present appears probable, though it is likely to be considerably less than the deficit of £150-175

million estimated for 1960. Allowance can be made for the balancing item (the 'errors and omissions') which normally brings in about £100 million a year from unidentifiable sources. But if the net long-term capital outflow resumes its normal level of around £200 to £300 million, the implication is that there will still be a very large overall deficit on current and long-term capital account comparable with that in 1960. This short fall is the more disturbing because the overseas sterling area is likely, at least in the first part of 1961 to be drawing on the reserves.

If events follow this pattern, the result may be either a considerable further addition to short-term debt, involving a further rise in sterling liabilities to non-sterling holders—or alternatively, a substantial fall in the reserves. If the whole burden were to be carried by the reserves, but if it were not accentuated by withdrawal of funds now held in sterling, there seems no reason why the fall in reserves should be greatly in excess of the increase of £300 million in reserves and IMF drawing rights in 1960. The chances that the problem will be accentuated by withdrawal of funds by non-sterling area holders cannot be assessed. The trend of relative interest rates will continue to be a major factor.

Such predictions are subject to very large margins of error. Yet to restore overall balance in the second half of 1961, allowing for normal long-term capital movements, by changes in the current account alone, would require either an increase in exports, of the order of 15 per cent, or a comparable reduction in imports, from their levels in the second half of 1960. Such changes, or an equivalent combination of them, cannot be ruled out as impossible. But there is nothing in the present situation, or in the prospects so far as they can now be foreseen, to suggest that they are probable.



## CHAPTER 4. BRITAIN'S PROSPECTS FOR 1961

**Capacity and labour**

It is not likely that insufficient industrial capacity would by itself prevent an appreciable rise in production this year. Table 26 sums up the results of the Institute's annual enquiry into this question. At the end of last year there was of course much more spare capacity in the vehicles industry than a year earlier; but the figures also show much less spare capacity in general engineering, as a consequence of the boom in output in capital goods (page 8). Capital goods producers, however, have more freedom to sub-contract than industries which are tied to a production line; the enquiry showed that a number of makers of steel plant and machine tools, for instance, were already increasing capacity by sub-contracting. Sub-contractors to the consumer durables and motor car trades can often switch to capital goods trades. Nevertheless, since manufacturers are planning to continue the rapid rise in their investment, delivery delays of some capital goods may lengthen and imports of plant and machinery may increase rapidly.

No important raw materials shortages were reported in the enquiry. Steel should be plentiful again in 1961. It is possible that brick production might hold back any further rise in house building.

There cannot be much scope for increasing the labour force this year; employment at the end of 1960 was about 2 per cent higher than at the end of 1959, and the proportion of the adult population in the labour force was probably as high as it had ever been. But there was, at the end of the year, a fair amount of under-employment in industry. If demand rose

sufficiently, it should be possible for output-per-man to rise some 2½-3 per cent above that at the beginning of 1960—that is, about 4½-5 per cent above that at the end of the year. Altogether, if capacity and labour were the only limitations, a rise in output during the year of 5 per cent would be feasible.

In fact, it is unlikely that demand will be sufficiently high for output to rise as much as this. The following sections look at likely demand trends in 1961. They begin with the trend of prices and incomes, and after examining each of the components of final demand, they then sum up the prospects for output as a whole.

The statistical forecasts made in these sections are essentially deductions made from the most recent trend of events, from the forces now operating on the economy, and from some guesses about the present shape of future developments. They assume no substantial change in Government policy.

For convenience, the forecasts are expressed in figures, comparing the end of this year with the end of last year, in order to convey some impression of the expected rates of change. But the influence of present and immediate future events on the position nearly a year ahead is quite likely to be counteracted by developments which cannot now be foreseen.

**Incomes and prices**

The rise in the general level of prices which started in the second half of 1959 continued through 1960. The index of final prices of all output, which had declined slightly up to the third quarter of 1959, then

**Table 26. Firms in metal-using industries classified according to spare capacity<sup>(a)</sup>***Percentage of employment in firms in sample*

		Total	Little or no spare capacity (0-10 per cent)	Moderate spare capacity (15-25 per cent)	Large spare capacity (30 per cent or more)	Total employment in firms in sample (Thousands)
General engineering .. .. .	1959	100	21	53	26	151
	1960	100	50	24	25	220
Electrical engineering <sup>(b)</sup> .. .. .	1959	100	28	68	5	303
	1960	100	32	28	40	378
Vehicles and components .. .. .	1959	100	76	23	1	175
	1960	100	17	36	47	246
All engineering .. .. .	1959	100	40	51	9	629
	1960	100	33	29	38	844

(a) Excluding aircraft and shipbuilding. Figures are given to the nearest 5 per cent of capacity.

(b) Including consumer durables.

Table 27. Price trends

Percentage changes

	1959 II to IV	1960 IV to II	1960 II to IV <sup>(p)</sup>
Consumer goods ..	- 0.2	1.1	0.8
Capital goods ..	- 0.1	- 0.7	.. <sup>(a)</sup>
Exports .. ..	0.1	1.0	—
All final prices ..	- 0.1	1.2	0.6
	1959 June to December	1960 December to June	1960 June to November
Food .. .. .	0.3	0.2	- 1.2
Alcoholic drink ..	0.2	—	0.3
Tobacco .. ..	0.4	4.5	—
Housing .. ..	0.9	2.2	0.9
Fuel and light ..	7.1	- 5.5	10.9
Durables .. ..	- 0.4	- 0.1	1.7
Clothing and footwear	0.6	0.7	0.7
Transport and vehicles	1.4	1.9	1.2
Miscellaneous goods ..	0.7	0.8	1.3
Services .. ..	0.5	1.7	3.7
Total retail prices ..	0.8	0.6	0.9

Source : Appendix table 6, Ministry of Labour Gazette.

(a) Rise of 1.8 per cent from second to third quarter.

(p) Provisional.

started to rise slowly ; the rise accelerated sharply in the second quarter of 1960 and apparently continued at a slower rate in the third (table 27).

The rise in the retail prices index continued right through 1960 and by December the index was nearly 2 per cent higher than a year earlier. Food prices were the same as a year earlier ; apart from this, the rise was widely spread and the increase was caused about equally by prices of housing, tobacco, transport, services and fuel.

The rise in prices of output as a whole has resulted from rising labour costs, since earnings have risen while output per man has fallen. On the other hand, import prices fell. Prices of imported foods fluctuated through the year, but by the fourth quarter were 5 per cent below the last quarter of 1959. Prices of imported industrial materials rose up to May but then fell more sharply and in the fourth quarter were 3 per cent below the fourth quarter of 1959 (chart 15).

There is no reason to expect any remarkable changes in import prices in 1961. If, as seems likely, the British and United States economies stay stagnant through the earlier part of the year while expansion continues in Western Europe, then probably any further falls in import prices will be small. If world industrial production grows rather faster in the second

half of 1961, some recovery in commodity prices is likely and it is reasonable to expect that at the end of the year they will stand at much the same levels as at the end of 1960.

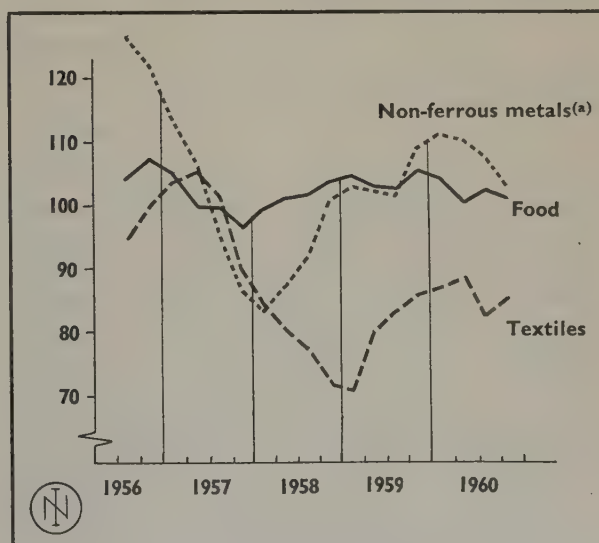
The main determinant of the trend in output prices in the earlier part of 1961 will probably be the rising trend in industrial costs of the later part of 1960. Experience suggests that, after a lag, these cost increases tend to result in higher prices. Later in 1961, price trends will probably mainly be determined by the trend in labour costs through the year. In the first half of the year wage costs per unit of output are likely to rise again, as a result of higher earnings when output may not rise appreciably. If output rises relatively rapidly later in the year wage costs may then fall a little.

The 1960 wage round was concentrated in the first half of the year and the gap between the current and the previous awards for the major negotiating groups has shortened. It appears, therefore, that the wage round in 1961 will be concentrated in the first half of the year. It is probable that the engineering settlement of 4½ per cent will have a strong bearing on subsequent negotiations, and future awards (which will mainly be in response to claims for wage increases rather than for cuts in hours) may average about 5 per cent or a little more.

Past experience suggests that when wage rates are rising rapidly, the rise in wage earnings may for a time not be quite so great ; this is the more likely if overtime continues to fall, as on average it has already done slightly since August. By the end of the year,

Chart 15. Import price indices : food, metals, textiles

Index numbers, 1957 = 100



Source : NIESR calculations, using components of the special import price index in Appendix table 24.

(a) Excluding aluminium.



Table 28. Profit margins

Percentages of total final sales

		1955	1956	1957	1958	1959	1960 1st half
Companies	A	12.5	12.0	12.2	11.6	12.2	12.6
	B	12.0	11.5	11.9	11.7	11.9	12.3
Public corporations and enterprises	A	1.9	1.9	1.7	1.9	2.0	2.1
	B	1.7	1.8	1.6	1.9	2.0	2.1
Income of self- employed	A	7.2	6.9	6.8	6.7	6.8	6.5
	B	7.0	6.8	6.7	6.6	6.7	6.5
Rent		3.2	3.3	3.3	3.8	3.9	3.8
Total	A	24.8	24.1	24.0	24.0	24.9	25.0
	B	23.9	23.4	23.5	24.0	24.5	24.7

Source : Blue Book 1960 ; Monthly Digest of Statistics, December 1960.

A = before providing for stock appreciation ;

B = after providing for stock appreciation.

wage earnings per head may rise by about 5 per cent ; and since employment may not rise much over the year as a whole the total wage bill is likely to rise by about 5 per cent as well.

Over the year as a whole, labour costs per unit of output may rise about 3 per cent. With import costs falling only fractionally, total costs are likely to be up by 2-2½ per cent. Average prices of final output are not likely to rise quite as much as labour costs in the first half of the year, because some squeeze can be expected in profit margins in a period of stagnant output. (During 1959 and the early months of 1960, when output per man was rising fast, company profit margins widened somewhat (table 28).

In the second half of 1960, when output had stopped rising, they probably narrowed a little, and so the rise in costs was not fully passed on in prices.) From the end of 1960 to the end of 1961, average prices of final output may rise 2-2½ per cent, if profit margins recover later with increasing output. Retail prices may rise rather less than this, because food prices—which have a relatively heavy weight in the retail prices index—are unlikely to increase.

### Consumers' expenditure

Consumers' total disposable income may be a little less buoyant than the rise in wage earnings ; it may perhaps go up during 1960 by 4½ per cent. Probably the best guess about consumers' spending is that it will rise much in line with disposable incomes. In 1960, consumer credit rose less rapidly than before (table 29), and the share of personal savings in incomes rose significantly. The likely trends in consumer credit during 1961 suggest that this share may now have stopped rising.

The recent relaxation in the statutory period of hire purchase repayment will probably have more effect on cars than on consumer durables. Even so, it is probable that car sales in 1961 as a whole will be lower than in 1960 as a whole ; but they should recover from the very low level of the fourth quarter of 1960 (50 thousand a month, seasonally adjusted). Sales of household durables (although the relaxations will not help them much should recover as well : with incomes rising, and the prices of household durables likely to be stable or falling, there ought to be some recovery to the long-term trend of sales.<sup>(1)</sup>

<sup>(1)</sup> 'The demand for domestic appliances', charts, 8, 9 and 10, National Institute Economic Review, no. 12, November 1960.

Table 29. Consumer credit

£ million : at end of period

					Household goods shops	Finance houses	Personal and professional bank advances <sup>(a)</sup>	Total	Quarterly change during period
1958	III	..	..	..	183	296	336	815	24
	IV	..	..	..	228	338	383	949	134
1959	I	..	..	..	243	369	437	1,049	100
	II	..	..	..	265	438	487	1,190	141
	III	..	..	..	292	488	544	1,324	134
	IV	..	..	..	327	522	581	1,430	106
1960	I	..	..	..	336	573	638	1,547	117
	II	..	..	..	335	621	680	1,636	89
	III	..	..	..	324	628	691	1,643	7
	IV	..	..	..	322 <sup>(b)</sup>	620 <sup>(b)</sup>	682	1,624	-19

Source : Monthly Digest of Statistics.

(a) Advances within Great Britain by members of British Banking Association. The figures refer to the middle of February, May, August and November.  
 (b) End of November.

## Government current expenditure

Public authorities' current spending was falling (in real terms) from 1954 to 1958; this was because the reduction in defence spending more than offset the rise in civil expenditure. But in 1959 and 1960, defence expenditure stopped falling; so, with the continued rise in civil spending, the total went up. It seems, on balance, likely that total current spending of public authorities will go on rising slightly—perhaps by £15 million over the year (at 1954 prices).

## Fixed investment

Total fixed investment during 1961 will probably rise nearly as much as it did during 1960, but the increase will not be as widely distributed. Public sector expenditure is not likely to rise significantly during the year, nor is house building; the main increase is likely to be in investment in manufacturing industry and a substantial part of it depends on a few major projects. If these go ahead as planned, the quarterly rate of total capital expenditure at the end of 1961 will probably be about 8 per cent, or £70 million more (at 1954 prices) than the rate at the end of 1960.

## Manufacturing industry

In the recent Board of Trade Enquiry, manufacturers said that they intended to spend about 30 per cent more in 1961 than in 1960.

This is a somewhat larger rise, year on year, than that forecast—and probably almost attained—for 1960; but it would be achieved if the rate of increase of about 7 per cent per quarter, made during the first nine months of 1960, continued through 1961. The capital goods industries may have some difficulty in meeting this demand (see page 38).

A substantial part of the expected increase in 1961 consists of a few large projects within the vehicles, iron and steel and chemical industries which are not expected to mature for several years. There is nothing to suggest that these long-term plans are being modified significantly, but there might well be some re-phasing which could reduce expenditure below the forecasts.

Apart from the upward movement in steel, chemicals and vehicles, investment in the textile industry should go on rising this year because of the cotton re-organisation plan.

## Other private industry

The Board of Trade Enquiry indicates some rise in 1961 in this sector, but it is unlikely to be large. There was a very big increase—of 28 per cent—in the number of commercial vehicles purchased last year; it is not likely that there will be another rise as big as that this year.

## Public investment

Expenditure in the fourth quarter of 1960 has probably almost reached the rate programmed for the financial year 1961/62, so no large rise is likely in 1961. The main uncertainty in the programme is the Transport Commission's expenditure, which is still under review. According to the present programme there will be a substantial drop in railway investment between 1960/61 and 1961/62; further, the Air Corporations' aircraft purchases will also be reduced; so the public sector's investment in vehicles, ships and aircraft together should fall 25 per cent in 1961/62. By comparison with 1960/61 the main switch in the 1961/62 programme is to increased building work (the planned rise in plant and machinery expenditure is fairly small); but the 1961/62 planned rate for building had probably been nearly reached by the end of last year.

## Housing

Public sector house building has remained steady for the last two years; according to the programme it will rise only fractionally to the end of the financial year 1961/62. Private house building rose sharply from the middle of 1958 until the middle of 1960. Then expenditure levelled off, and—with a considerable volume of work still on hand—it seems likely to remain at this level during most of this year. In the last quarter of 1960 the number of private houses started was probably below the number of completions and also—for the first time for over two years—below the level of a year earlier. This appears to be largely due to shortage of capacity, especially bricks. Orders, although somewhat down in the third quarter of 1960, were still 10 per cent higher than work done, and demand still appears to be strong.

## Stocks

Since changes in stocks are the result of differences between the flows of demand and supply in the various sectors of the economy, they are in their nature among the most difficult magnitudes to predict. Nevertheless, it seems reasonably certain that 1961 cannot repeat the experience of the greater part of 1960, when the most buoyant element in total final expenditure was stock-building. A substantial proportion of the stock accumulation of 1960 was involuntary and this is likely to be reversed in 1961—most probably in the first half of the year. It is possible that the fall in industrial putput at the end of 1960 already indicates some reduction in stock-building.



**Table 30. Working estimates : possible changes in demand in 1961**

*The forecast figures in this table are presented to illustrate the expected relative size of the main factors. But they are not intended to be more accurate forecasts than the more general statements in the text.*

£ million, 1954 prices, quarterly averages

	1959 III & IV to 1960 III & IV <sup>(a)</sup>		1960 IV to 1961 IV	
	£mn.	Per cent	£mn.	Per cent
<i>Changes in</i>				
Consumers' expenditure	+ 66	+ 1.9	+80	+2.3
Public authorities' current expenditure ..	— 1	—	+15	+2.0
Gross fixed investment	+ 82	+10.0	+70	+7.8
Investment in stocks ..	+ 50		—60	
Exports of goods and services .. ..	+ 22	+2.0	+35	+2.7
Total final demand ..	+219	+ 3.6	+140	+2.2
<i>Less Imports of goods and services .. ..</i>	+146	+12.6	+15	+1.1
<i>Less Factor cost adjustment .. ..</i>	+ 35	+ 5.7	+15	+2.3
Gross domestic product (from expenditure) ..	+ 38	+ 0.9	+110	+2.5
Gross domestic product (from output)		+ 3.0		

(a) All fourth quarter 1960 figures are estimates.

The most likely outcome, therefore, is that the total addition to stocks in 1961 will be small, and that there may be a period (whose precise timing it is difficult to predict) when the level of stocks actually falls.

### The general level of demand

In the first half of the year, the trend of output is likely to be dominated by the stock cycle, as rapid stock accumulation comes to an end. Up to the middle of the year, other elements in demand will probably not do much more than offset this. But the stock effect is once-and-for-all, and after it is over, the continuing rise in investment and in consumption should together raise final demand appreciably.

The growth in export demand is likely to be weak (page 36) and it is probable that some of the rise in exports will be a result of a rise in prices, so the increase in exports at constant prices will probably be modest. Further, the rise in Government expenditure will probably be quite small as well.

The net effect of these changes in expenditure, after allowing for some rise in imports (page 36) would be a rise in total output of about 2½ per cent between the fourth quarter of 1960 and that of 1961; industrial production may, on the basis of these calculations, be expected to rise by about 4 per cent.

It remains to ask whether the Government policy can be expected to modify the course of events. There is no doubt that the Government is seriously concerned about the balance of payments situation; if there is another current account deficit in 1961, this would be the first occasion since 1946-47 when there had been two successive years of current account deficit. In these circumstances, it seems most unlikely that the Government will in its Budget take any action that would increase consumers' expenditure; although changes may be made in the impact of taxation, the net effect of Government policy in the next few months may, at best, be neutral. This implies no change in the share of national income taken in taxation. The natural buoyancy of the revenue should be sufficient to meet increasing Government expenditure.

### Industrial prospects

The most prosperous sector of British industry in 1961 is likely to be that producing *engineering capital goods*. New orders rose rapidly in November, and were still well in excess of deliveries; it is clear that order books at the end of the year must in general have been much longer than a year earlier. For instance, at the end of September home orders on hand for metal-working machine tools were 87 per cent higher than a year earlier, and export orders on hand 52 per cent higher. Even if there is some postponement of investment plans (page 41), capital goods output should rise sharply next year. It should still be possible to increase output substantially, and firms which are short of labour should find it easier to recruit workers than they did last year.

The output of *commercial vehicles* and of *tractors* will also probably continue to rise (though more slowly than recently) both for the home market and for exports. The state of *shipbuilding* order books suggests a further fall in activity.

Although the demand for *consumer durables* may rise a little in 1961 (page 40), it will probably take time for this to have an effect on output, since stocks are abnormally high. Increasing exports could help the industry. There is reasonable hope for some recovery both in home and export sales of *cars* from the low figures in the fourth quarter of 1960; but it is likely that demand in 1961 as a whole will be considerably lower than in 1960, even taking into account the easing of hire purchase regulations, and the rate of

output can hardly recover during 1961 to the peak reached in the first half of 1960. The output of *textiles and clothing* should again be relatively high in 1961 ; orders on hand at the end of October were well up on a year earlier (Appendix table 12).

Orders for new *building* work placed with contractors in the first nine months of 1960 were about 13 per cent greater than the work done, and there appears to be sufficient work in the pipeline to keep industry above the present level throughout 1961. The largest accumulation of orders is for housing, where (as already reported) further increase is unlikely owing to material shortages. In other types of new building, investment requirements are likely to bring some further rise, but this may be a little smaller than in 1960. Moreover, repair and maintenance work was running at a high level in 1960 and it is uncertain how long this will continue. In the third quarter of 1960 output was 5 per cent more than a year earlier ; the corresponding increase this year may be rather smaller.

*Steel* consumption is unlikely to rise much, and there is likely to be a change round from heavy stock-building to moderate stock reduction. Imports will fall, but total demand may well fall more ; and

unless exports increase, production in 1961 may fall from the level it reached at the end of 1960.

The home usage of *sheet steel* should be about the same in 1961 as in 1960—or possibly slightly lower ; the fall in consumption in the car industry will probably be offset by the increases in other uses, such as commercial vehicles. Imports should fall off from about 600 thousand tons in 1960 to less than quarter of a million in 1961. Nearly all the home demand for sheet could be supplied from home sources, but some users who have experienced years of uncertain supplies have made long-term arrangements to import foreign sheet. The motor industry has probably already begun to run down its stocks of steel sheet, and is likely to go on doing so in 1961 ; but other consumers are unlikely to run down stocks substantially.

Demand for *coal* is unlikely to rise much in 1961. Total industrial output will be rising only slowly ; it must be assumed—for forecasting—that temperatures will be normal ; the demand for coke for the iron and steel industry will rise very much less than it did last year ; and prices have recently moved further in favour of oil.



## CHAPTER 5: THE INTERNATIONAL PAYMENTS PROBLEM AND BRITISH ECONOMIC POLICY

If there were no external payments problem, the British Government could safely encourage a considerably faster rate of domestic economic expansion than in fact seems likely during 1961. It could do so without straining the productive capacity of the economy and without causing any more rapid increase in prices than is likely to occur in any case. Yet, because of the desire to reduce the risks to the international position of sterling, it is probable that the Government will once again consider it impossible to encourage economic growth.

The most important policy questions for 1961 are to ask what action the Government can take to solve two fundamental and closely related problems. One is that of the underlying disequilibrium in the British payments position; the other is that of the difficulties caused both to Britain and to the United States by the present system for settling international payments, involving the international use of the national currencies of these two countries.

### The British payments problem

Britain has not yet solved the problem of reconciling a sustained growth of the domestic economy with the need to secure a current surplus adequate to match her long-term investment overseas. In 1961, even though output is likely to expand slowly, Britain will probably continue to have an overall deficit comparable with that of 1960 (even though the current account is likely to improve) and the rest of the sterling

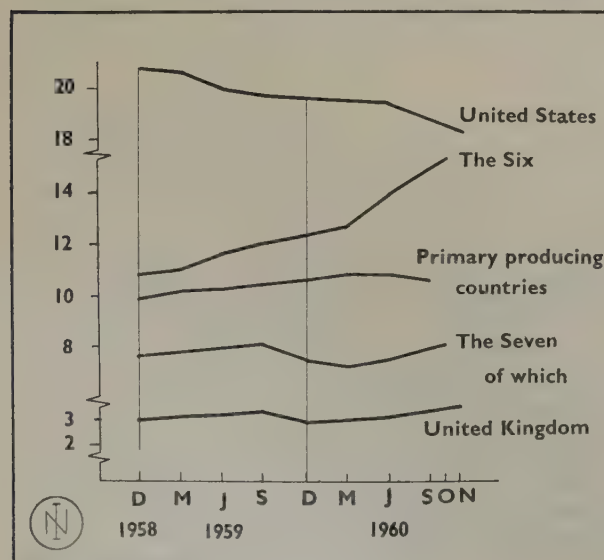
area will also remain in overall deficit with the non-sterling world (page 37). While by no means certain, these forecasts are sufficiently plausible for it to be prudent to consider their implications for policy.

In 1960, Britain's problems were temporarily relieved by the payments difficulties of the United States. Speculative pressure on the dollar, together with the big differences in interest rate in the two countries attracted a great volume of liquid funds to London and so masked, for the time being, the weakness in the British balance of payments.

The biggest risk for 1961 is that the short-term funds which flowed into London in 1960 may flow out again, and that this outflow may be accentuated by doubts about sterling and by an outflow of longer-term funds. The risk of pressure on sterling will be increased if the Americans make substantial progress towards solving their own payments problem. This they will probably do (page 20). The thinking of the experts associated with the new President inclines towards emphasis on the budget as a means of ending the recession. This would probably allow United States short-term interest rates to be raised, so as to check the outflow of funds. And, as has been agreed, there are several other ways in which the Americans can reduce their deficit without damage to the domestic economy, which is in any case much more independent of international transactions than the British.

The amount of money which could possibly flow out from London is considerable. If North American and Western European holders of sterling balances reduced them to the end-1956 level (a figure which represents the minimum normal working balances held in the post-Suez period), the outflow would equal nearly half Britain's present reserves—over £500 million. But, in addition, if doubts were to develop about the strength of sterling, the holders of some of the longer-term funds which come to London might well withdraw them, and British residents might move into non-sterling securities.<sup>(1)</sup> Further, it is likely that once a substantial outflow of funds has started, it would lead to speculation in the form of 'leads and lags' in payments. If all sterling area payments to non-sterling countries were accelerated by an average of a few weeks and receipts retarded by the same average amount, the effect could be a swing in payments of

Chart 16. Official gold and foreign exchange reserves  
\$ billion



Source: Appendix table 25.

<sup>(1)</sup>If the authorities supported the security sterling rate, the consequence might be a loss of reserves or the need to sell some of the official holdings of American securities. If no official attempt were made to support security sterling, the appearance of an appreciable discount might lead to new evasions of the exchange control regulations, similar to the Kuwait Gap of the years up to 1957; it is questionable whether the exchange control system could now easily withstand heavy pressure of this type.

several hundred million pounds, and this could happen relatively quickly.

These are pessimistic statements of the risks in 1961, not predictions; but if they did happen, Britain's drawing rights at IMF could soon be exhausted: we could probably draw up to £850 million but only by instalments, except by special (and unprecedented) agreement. The total amount of funds capable of international movement is now very large indeed, compared to our reserves and IMF drawing rights; Britain's position is very vulnerable to short-term capital movements.

These immediate dangers for 1961 may not materialise; but it still remains true that Britain's balance of payments is fundamentally weak. A satisfactory rate of domestic expansion is likely to lead repeatedly to payments difficulties and then to the reimposition of measures which inhibit expansion.

### **The longer perspective**

Looking back over the nineteen-fifties, two points stand out. First, Britain's balance of payments has suffered a greater strain than that of any other major country through the ending of dollar discrimination and the erosion of imperial preferences. At the beginning of the fifties, Britain's exports benefited from her membership of the tight discriminatory trading bloc of the sterling area and from tariff preferences which were still high: now the former benefit has practically wholly gone and the latter is diminishing. (There was always a school of opinion which held that it would be remarkable if the British economy could withstand convertibility and non-discrimination without a change in the exchange rate or a departure from the policy of full employment.)

The second outstanding feature of the fifties has been that production has grown more slowly in Britain than in most of her competitors. This is because the frequently interrupted course of expansion has been accompanied by a low rate of growth of productivity. This has in turn raised costs: the fact that in the past decade British costs rose more than those of most of our competitors was mainly due to the slow growth of productivity rather than to the more rapid growth of money wages here than abroad. But the adverse effect on technical progress and on the design and quality of products has perhaps been equally important. Rapid expansion is associated with the rapid introduction of new productive capacity which incorporates new techniques and brings forward new or improved products. The fact that Germany and Japan have expanded much more rapidly, not only during the post-war reconstruction but for a long time afterwards as well, must have given them a substantial advantage here—an advantage which now appears to be shared by other European

countries.

An acceleration in the growth of productivity is needed in order to prevent Britain's competitive position, and hence her balance of payments, from deteriorating further. But it has been precisely the weakness of the balance of payments which has repeatedly caused governments to check expansion. In order to break out of this trap it is necessary to relieve the payments problem in a way which will stimulate growth or provide an opportunity for other measures that will do so.

Periodical bouts of deflation are no remedy; they have done something temporarily to check the rise in money incomes, but they also inhibit investment, and so prevent productivity from rising as fast as it could.

There are other ways which could give relief to the balance of payments. The re-introduction of import controls is a possible method: as a result of decontrol and the subsequent upsurge in imports, there must be plenty of goods that could be kept out again without severe hardship. But it is a stop-gap measure, not a cure, which would soon do harm by reducing the competitive stimulus to British manufactures and by provoking retaliation<sup>(1)</sup>.

Another possible line of action would be to impose restraint on capital exports. Britain has followed a policy towards overseas investment which seems inconsistent with her weak payments position. Direct investment overseas, which is now subject only to very weak controls even when made outside the sterling area, is at the same time subsidised through the tax exemptions for overseas trading corporations, which were introduced in 1957<sup>(2)</sup>. It is doubtful whether any bias in favour of overseas investment generally—as distinct from investment in poor countries—is appropriate to a country in Britain's position.

The balance of payments could also be relieved by cutting defence expenditures abroad, which now amount to nearly £200 million a year. This is equal to 5 per cent of our exports. In assessing the contribution of this expenditure to the maintenance of peace it is worth noting that over half the expenditure is in the sterling area, presumably devoted mainly to traditional bases; about 40 per cent was in non-sterling countries, including the cost of maintaining forces in Germany.

But if, as seems quite likely, a serious overall deficit continues, measures of this sort would, alone,

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<sup>(1)</sup>Those who argue that our payments troubles are the result of a premature relaxation of controls tend to forget that Britain was one of the last countries to abandon dollar discrimination; further, Britain has benefited greatly from the relaxation of many of the import controls of overseas countries.

<sup>(2)</sup>The United States Secretary to the Treasury, has indicated his desire to modify the comparable United States legislation, because of the burden it puts on the United States balance of payments.



probably not be sufficient to correct it. The other possibility that must be considered is a change in exchange rates.

### Exchange realignment

In a world where rates of economic growth, rates of increase in incomes, and many other factors tend to vary from country to country, it would be extraordinary if fixed exchange rates could be maintained indefinitely. It would probably be possible only if the preservation of the exchange rate took precedence over all other objectives—full employment, economic expansion, freedom from trade restrictions, and so on. If, as is the case, these other objectives cannot be ignored, changes in exchange rates must be a normal feature of policy from time to time. That was recognised in the arrangements for IMF which sanctioned exchange rate adjustment in conditions of ‘fundamental disequilibrium’. In fact, exchange adjustments have come to be made only in occasional, abnormal circumstances. The problem is to find some way in which rates can be adjusted as required without undue fuss.

It is possible to regard the present system as one of ‘fundamental disequilibrium’ which requires a major realignment of currencies now. One solution would be for the main countries among the Six to revalue their currencies in relation to gold, dollars and sterling. This would increase the competitiveness of British and North American goods with those of Continental Europe, both in domestic and export markets; it would also help to offset the effects of the trade diversions away from imports from the outside world which the Common Market’s increasing tariff discrimination is likely to bring about.

There are, however, few grounds for expecting a revaluation of the continental currencies. It would be an unpopular political step in the surplus countries. It would directly reduce the profits of exporters and increase the competition of imports in the home market. It would therefore be unpopular with both industrial and agricultural producers. It would also reduce the international bargaining power of the governments of the surplus countries. These objections are likely far to outweigh in the minds of the governments the genuine benefits that their nations would enjoy through improved terms of trade and higher real consumption. The trouble is that no people is organised to assess and express its interests as consumers with a fraction of the force with which it organises its interests as producers.

The one way of forcing the burden of adjustment on to the surplus countries is to apply discriminatory import restrictions against the goods of the surplus area. This is sanctioned by the IMF under the

scarce currency provisions and was practised against the dollar when it was scarce. To be effective, however, discrimination requires to be organised jointly by a group of countries. Britain would face considerable difficulties in trying to organise such a group to discriminate against some or all of the countries of the Common Market, and it would create obvious political difficulties at a time when Britain appears to want to improve, not worsen, its relations with the Common Market.

There is, therefore, a case for devaluation on the part of the deficit countries. In view of the trend to improvement in her overall balance, it is unlikely that the United States would follow Britain in devaluation. Although action by Britain alone might add to the difficulties of the operation, it would enhance its beneficial effect on her balance of payments. The advantage of such a step would be that it should correct the payments deficit and provide an opportunity to adopt policies to stimulate the growth of productivity.

It can be argued against such a policy that there is no clear evidence that British export prices are too high. The usual reasons given for British export weakness are matters such as inadequate selling effort and outdated design. This does not, however, prove that British prices are satisfactory. Cheapness can frequently be a substitute for poor selling effort or poor design; if something is cheap, purchasers will go to more trouble to buy it, or will accept something that is not quite so good. A second argument is that devaluation might cause permanent withdrawals of sterling balances from London. This could be met by an early decision to compensate overseas holders for any reduction in the gold value of their balances. The real cost would be considerably less than the cost of prolonged stagnation.

An alternative policy might be for Britain to adopt a policy of flexible managed exchange rates; and then to argue in IMF for its adoption as preferable to the present system which takes fixed rates as a norm. The general adoption of this system would have to be accompanied by steps to improve the international financial system—a matter discussed below.

### The problem of international liquidity

A fundamental change in the international payments mechanism, designed to increase liquidity and to permit greater exchange-rate flexibility, could help to prevent the recurrence of the payments and reserve crises which have dogged the economic life of the western countries since the war—and before.

Since the war, the international reserve system has come to depend more and more on holdings of the two national reserve currencies—the dollar and sterling (chart 17)—to the point where speculation against

either (or both) brings a real danger of a sudden loss of liquidity. It is therefore difficult for anyone in authority to contemplate exchange adjustments for either of these currencies. At the same time, however, neither the British nor American Government seems ready to contemplate a further substantial increase in its foreign liabilities in relation to its reserves. Indeed both governments would prefer to hold more gold against their overseas liabilities. Thus the difficulties of the present system stem from the fact that the arrangements made when the IMF was set up left sterling and the dollar to continue as reserve currencies, and yet relied on exchange rate changes as the ultimate method of adjustment. The alternative of establishing a unified international reserve currency, to supplement gold, was rejected.

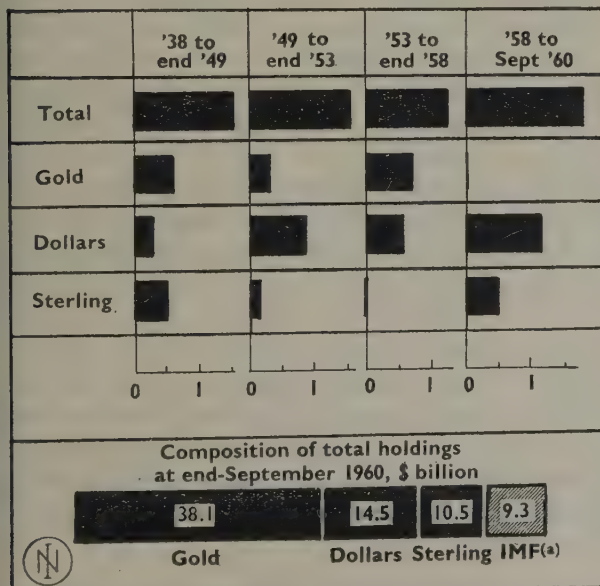
The two major needs are for a system which provides sufficient internationally acceptable currency (including adequate growth over time) and one which avoids the risks of speculative shifts from one internationally-used currency to another. Possible ways of meeting these requirements are discussed below.

### The adequacy of reserves

Useful discussions of the adequacy of international reserves should go beyond comparing the ratio of reserves to the value of international trade at different dates (chart 18) or between different countries at the same date. The decision to invest resources in liquid international reserves, rather than in some other way, involves an act of more or less deliberate choice on the part of the authorities of the country concerned;

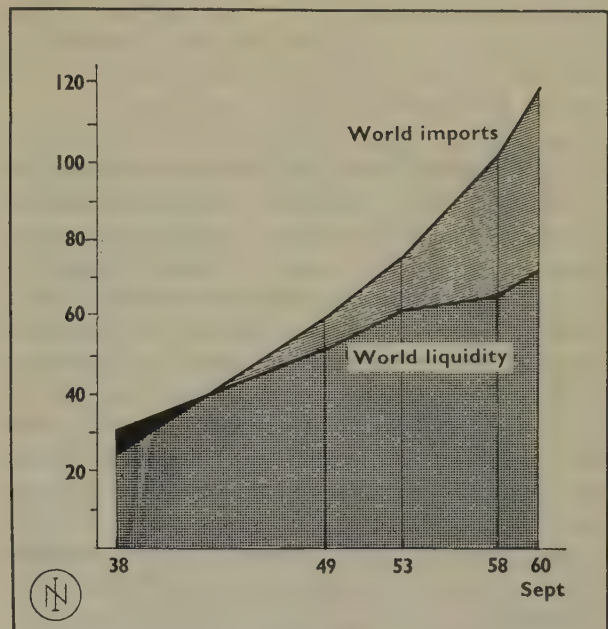
**Chart 17. World liquidity : changes by type of reserves**

\$ billion, annual averages



**Chart 18. World liquidity and world imports**

\$ billion



Source: International Financial Statistics.

some countries will choose to act differently from others. Just as some individuals will choose to hold small reserves of cash in the bank while others hold large reserves, or just as some firms hold much bigger stocks of raw materials than others, so it is impossible to predict with accuracy how much international currency individual countries will want to hold.

It is evident that the world's reserves are now below the level that countries would choose; for a large number of countries want to raise their reserves, but very few are willing to allow them to decline. Amongst the world's largest trading countries, Britain constantly expresses its desire to raise its reserves; America is reluctant to lose more of hers; Germany has been reluctant to take the necessary measures to check the increase in hers. If supplies were adequate to meet the demand it could be expected that countries accumulating an excess of reserves would be as ready to spend the excess (or invest them in long-term foreign assets) as other countries are to stem a drain.

The supply of international liquidity will probably become progressively more inadequate. In an international currency system where the only additions to the internationally-acceptable reserves of the world as a whole consist of net additions to the stock of monetary gold, the net total of the overall payments surpluses and deficits of all countries in the world must necessarily be equal to the value of this additional gold. This, in fact, is the sort of world which seems likely in the near future, where there is no international organisation which can permanently create international credit. The IMF in



effect gives loans which are repayable within a few years, so that it can do valuable work in absorbing payments swings (and so presumably also making smaller the desired level of reserves of many individual countries). But it does not steadily add over the years to the supply of international currency.

The most optimistic estimates of the annual rate of gold production likely to go into currency reserves are around \$750 million; the flow is considerably less at the moment as a result of the sales to private gold hoarders through the markets in London and elsewhere. This means that, in the coming years, the world total of net payments surpluses of individual countries cannot exceed this figure. Yet it seems extremely implausible to suppose that the sum of desired surpluses can be kept as small as this: there are very few countries which would wish for (or tolerate for long) any substantial reduction in their reserves, while it is not hard to think of quite a long list of countries each of which individually would be happy for some while to add each year say \$300 million to its reserves.

The danger is that the consequent struggle for liquidity might lead to an unnecessary deflationary bias in the world economy or to unnecessary restrictions on trade or aid. The deficit countries are forced, or feel forced, to reduce their levels of expenditure, while there is no corresponding pressure on the majority of surplus countries to expand internal demand for imports or to reduce exports. This danger is the greater, the greater is the disequilibrium in the pattern of exchange rates; if exchange rates are substantially out of line, surpluses and deficits will be relatively large and consequently the deficit countries will be under heavy pressure to deflate, or to restrict imports.

To avoid these dangers, enough international liquidity should be created to allow some countries to maintain surpluses for considerable periods without forcing the other countries into persistent deficits or restrictive policies. This could be done in two ways: by development of an international banking system independent of the use of national currencies (when the surpluses could be converted into funds available for long-term loans, presumably to the under-developed countries) or by raising the price of gold (when the additional net surpluses would accrue to the benefit of the gold producers).

### The price of gold

There are several serious objections to the proposal for an all-round increase in the price of gold. It gives an arbitrary advantage to countries already holding gold, and still more to those producing it. It continues and encourages the wasteful process of digging metal out of the ground, in order to put it back

again elsewhere—a process which is absurdly wasteful now that we know how to create (and control the creation of) paper currency. It is doubtful whether anything less than a very big rise would be sufficient to satisfy the probable demand for international liquidity. Lastly, such a change, unless accompanied by a revaluation of sterling and dollar liabilities at least to external official holders, might undermine confidence in these national currencies. Perhaps the most fundamental criticism of revaluing gold is that it involves a movement away from the desirable aim of a unified international currency; it makes the three currencies less satisfactory substitutes for one another and makes that part of the world's reserves which consists of national currencies even more precarious than at present, because of the reduction of confidence in them.

### A unified international currency system

It is not difficult to devise means of creating more international liquidity and of converting present holdings of national reserve currencies—sterling and dollars—into holdings of reserves with international backing. This is a way of adding to liquidity and at the same time of avoiding the risk of a loss of confidence in the pound or dollar. It would also make it much easier to adopt a more flexible attitude to exchange rate policy. In those ways, the creation of a more satisfactory means for international settlement and for the holding of international balances would remove a major obstacle to faster economic growth. It would therefore provide the best possible opportunity for Britain to establish its payments balances on a secure long-term foundation.

A proposal for an improved international reserve system is contained, for example, in Professor Triffin's plan<sup>(1)</sup> for a modification of the IMF on lines nearer to Keynes' Clearing Union plan. The transition to Triffin's system would be achieved by converting all the sterling and dollar claims held by foreign official holders into deposits at the IMF, in return for an IMF long-term claim against Britain and the United States; and in any case, each member would be expected to deposit a minimum proportion of its total reserves (including gold as well as sterling and dollars) at the IMF. The new deposits at the IMF would be an international currency (on the lines of Keynes' Bancor). After this initial creation of an international currency, further amounts would be created by the IMF buying gold or making loans to members with the aim of increasing the total amount in existence in accordance with the need for an increasing total supply of international liquidity.

<sup>(1)</sup>R. Triffin, *Gold and the Dollar Crisis*, Yale University Press, 1960.

There has always been some resistance to proposals of this kind in this country. In part this is simply understandable resistance to change. The Radcliffe Committee, however, saw 'great merit as a long-term objective' in the 'proposal for a transformation of the International Monetary Fund, along the lines originally proposed by the United Kingdom, into an international central bank . . .'. It saw three objections to a transition by the method of converting existing sterling or dollar claims into claims against the IMF. The first was that it might oblige the United Kingdom to discharge her external liabilities more quickly than would otherwise be necessary; the second was that such an arrangement 'would be difficult to negotiate' and the third was that 'it does not appear to us likely to be of immediate and substantial assistance to sterling.' The first objection is less weighty than it seems. There would be no reason, so long as the new system remained in force, why the funded debt of Britain and the United States should ever be repaid. Indeed, the world would need the liquidity so provided and might suffer if the funded debt were repaid.

On the second point, it is undoubtedly true that negotiation would be relatively lengthy. But if the Americans and British were agreed in their aims, it seems reasonable to expect that they would be successful. When proposals of this sort were made by Britain after the war, it was the United States who opposed them and made proposals very like those ultimately realised in the IMF. There has therefore been good reason until recently to doubt whether further proposals on the same lines would receive American support. Now that the United States has experienced some of the difficulties of the present reserve system, and schemes such as Professor Triffin's are being actively discussed, there should be more hope of progress. These hopes are reinforced by the change of Administration. 1961 is, therefore, a quite unusually favourable year in which to take an initiative.

If such a reorganisation of the international financial system were successfully negotiated, there can be little doubt that it would be of great advantage to the

British economy. No single policy can ensure rapid and uninterrupted economic growth—but steady growth is only possible if conditions are created where it is not unnecessarily restricted by external difficulties.

### **Implications for domestic policy**

If the main object of British economic policy is to achieve a faster and steadier rate of growth, it now seems likely that it will be necessary for Britain—so far as possible jointly with other countries—to make major changes in external economic policy. This could involve a currency realignment and a reorganisation of the international payments system. The immediate purpose of such changes should be to expand exports and improve the payments positions of deficit countries. To achieve these objects it would also be necessary that the deficit countries such as the United Kingdom should have sufficient spare capacity to enable them both to take advantage of new export conditions, and to prevent any rise in import prices from accelerating inflation at home. Without sufficient slack, external adjustments would be futile. These considerations would rule out an immediate policy of expanding internal demand.

Nevertheless, the whole object of radical changes in external policy would be to make rapid growth possible—unless more rapid growth were achieved, it would be a major opportunity lost. This probably requires a much more positive policy in favour of growth than has yet been adopted by any British Government. Many progressive firms at present have their own plans for development. What is required is that Government and industry should discuss together their plans for growth, and that the Government should as far as possible encourage a rapid and co-ordinated development policy on the part of industry.

In brief, the need is for a strategy which, while accepting that the economy cannot this year grow as fast as it might, at the same time convinces industry that the economy will grow rapidly and steadily in future years. Without a major initiative from the Government, this aim is unlikely to be achieved.



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## STATISTICAL APPENDIX

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#### *Symbols and conventions used*

.. = not available.

— = nil or less than half the final digit shown.

billion = thousand millions.

Items may not always add to totals, because of rounding.

A horizontal bar across a column indicates a discontinuity in the series.

*Italics* are used where NIESR has added estimates to figures published elsewhere—for instance, when an estimated later figure is added.



Table 1. Gross domestic product

Seasonally adjusted

	Final expenditure at market prices						Less Imports of goods and services	Less Adjustment to factor cost (c)	Statistical discrepancy	Gross domestic product at factor cost	Output				
	Con- sumers' expendi- ture (a)	Public authori- ties' current spending	Gross fixed invest- ment (b)	Value of physical stock change	Exports of goods and services	Total final expendi- ture					Gross domestic product (d)	Indus- trial produc- tion (d)	Agri- culture, etc.	Trans- port, com- muni- cation	Distrib- ution, other ser- vices
	£ million, 1954 prices, quarterly averages											Index numbers, 1954 = 100			
1948	2,677	592	467	+ 59	656	4,451	738	449	+ 68	3,332	85	79.0	84	87	90
1949	2,735	632	510	+ 9	729	4,615	795	455	+ 90	3,455	88	83.6	90	89	91
1950	2,813	637	535	- 60	840	4,765	807	465	+ 96	3,589	91	88.3	92	92	94
1951	2,773	688	535	+141	854	4,991	902	485	+ 60	3,664	93	91.3	94	96	94
1952	2,758	762	537	+ 10	846	4,913	827	469	+ 14	3,631	92	89.2	97	96	94
1953	2,874	785	595	+ 33	843	5,130	879	490	+ 17	3,778	96	94.3	99	98	97
1954	3,014	784	647	+ 22	905	5,372	913	515	—	3,944	100	100.0	100	100	100
1955	3,124	767	679	+ 72	969	5,611	1,021	535	+ 31	4,086	104	105.1	99	102	103
1956	3,157	770	713	+ 66	1,028	5,734	1,056	535	- 26	4,117	104	105.6	105	104	103
1957	3,225	746	743	+ 64	1,045	5,823	1,071	544	- 16	4,192	106	107.5	107	104	105
1958	3,305	742	747	+ 25	1,014	5,833	1,057	569	- 11	4,196	106	106.3	106	103	107
1959	3,437	758	786	+ 30	1,040	6,051	1,149	610	+109	4,401	112	112.6	111	106	112
1957 I	3,195	754	741	+130	1,068	5,888	1,097	542	- 72	4,177	106	107	108	105	105
1957 II	3,222	753	741	+ 85	1,036	5,837	1,063	535	- 38	4,201	107	108	108	105	105
1957 III	3,230	741	745	+ 25	1,047	5,788	1,092	548	+ 61	4,209	107	108	107	103	106
1957 IV	3,251	738	744	+ 15	1,031	5,779	1,031	550	- 17	4,181	106	107	107	103	106
1958 I	3,285	750	749	+ 40	1,025	5,849	1,042	567	- 57	4,193	106	107	107	103	107
1958 II	3,278	737	744	- 19	977	5,717	1,043	575	+ 78	4,177	106	106	107	104	106
1958 III	3,295	738	745	+ 51	1,049	5,878	1,077	568	- 56	4,177	106	105	105	102	107
1958 IV	3,361	743	750	+ 30	1,004	5,888	1,066	565	- 20	4,237	107	107	105	103	109
1959 I	3,370	741	749	- 33	985	5,812	1,100	592	+137	4,257	108	108	105	104	109
1959 II	3,457	762	778	+ 33	1,033	6,063	1,170	610	+ 81	4,364	111	111	105	106	113
1959 III	3,420	769	798	+ 25	1,077	6,089	1,143	618	+107	4,435	112	114	117	106	112
1959 IV	3,500	760	819	+ 95	1,066	6,240	1,182	620	+111	4,549	115	117	117	108	115
1960 I	3,583	782	851	+ 70	1,102	6,388	1,208	652	+ 78	4,606	117	120	117	111	115
1960 II	3,591	776	852	+154	1,085	6,458	1,277	655	+120	4,646	118	121	117	111	116
1960 III	3,533	762	882	+140	1,092	6,409	1,292	653	+174	4,638	118	121	119	110	116
1960 IV	3,520				1,095		1,325			4,620	117	120	119	110	116

(a) For details see table 8. (b) For details see table 9. (c) Net indirect taxes at 1954 rates. (d) For details see table 2.

Table 2. Production in industry

Seasonally adjusted

	Total industrial production	Construction	Mining	Total manufacturing	Metals, metal-using				Textiles	Chemicals	Other industries	Steel		Passenger cars output	Selected durable consumer goods
					Total	Engineering and electrical	Vehicles	Ship-building				out-put	consumption		
												Index numbers, 1954 = 100			
Weights	1,000	120	72	760	374	164	78	22	77	63	295	quarterly rates or averages		1954=100	
1948	79.0	86.7	90.8	77.3	75.6	69.4	61.4	116.5	85.5	68.0	77.9	3,719	3,353	84	37
1949	83.6	90.7	93.8	82.2	80.0	75.9	71.2	106.1	92.1	70.2	83.5	3,888	3,550	103	44
1950	88.3	90.8	94.8	87.8	85.1	84.5	76.4	93.5	100.1	79.7	88.6	4,073	3,710	131	67
1951	91.3	87.3	98.0	91.6	90.3	90.5	79.9	96.2	99.8	83.7	91.8	3,910	3,772	119	79
1952	89.2	90.0	99.3	88.2	91.3	92.4	79.5	99.2	81.9	79.6	87.8	4,104	3,825	112	63
1953	94.3	96.3	98.8	93.7	93.4	93.6	90.4	105.1	97.4	89.1	93.8	4,402	3,915	149	76
1954	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	4,630	4,190	192	100
1955	105.1	100.3	99.0	106.4	109.6	107.4	114.6	108.5	97.5	106.2	104.6	4,948	4,470	224	111
1956	105.6	105.8	99.2	105.9	108.3	107.0	107.2	117.4	96.4	110.6	105.1	5,165	4,617	177	88
1957	107.5	105.5	98.5	108.3	111.4	111.0	114.9	107.9	96.5	115.0	106.9	5,425	4,655	215	105
1958	106.3	105.0	94.3	106.9	110.3	111.5	118.4	108.8	87.1	115.0	108.0	4,892	4,459	263	118
1959	112.6	111.3	91.8	114.1	116.7	118.2	129.0	101.1	92.0	131.2	113.9	5,047	4,472	297	163
1960												6,076		338	
1959 I	108	110	91	108	110	111	124	107	86	125	111	4,468	4,130	255	141
1959 II	111	109	94	113	116	117	129	101	91	131	113	4,915	4,525	293	173
1959 III	114	112	92	115	117	121	122	100	94	133	115	5,070	4,514	282	171
1959 IV	117	114	91	120	125	124	141	97	97	137	118	5,733	4,726	360	166
1960 I	120	117	90	122	127	126	145	95	94	141	120	6,011	4,875	384	170
1960 II	121	117	89	124	128	127	144	92	96	145	122	6,002	5,177	380	161
1960 III	121	118	88	123	127	127	138	91	97	148	123	6,065	5,177	347	137
1960 IV												6,227		242	
Sept.	121		88	123	126	124	136	90	97	145	123	6,074		344	
October	121		87	124	126	129	129	87	98	147	125	6,280		280	
Nov.	119		87	121	122	123	125	90	95	145	124	6,282		237	
Dec.												6,121		208	

Table 3. The labour market

Seasonally adjusted

Seasonally adjusted

	Employment											Demand for labour			Net over-time per head in manu-factur-ing (b)
	Total civil employ-ees	Agri-culture etc.	Trans-port, com-munica-tion	Distri-bution and other services	Total indus-trial pro-duction	Con-struc-tion	Mining	Total manu-factur-ing	Metals, metal-using	Textiles	Other indus-tries	Unem-employment	Unfilled vacan-cies	Excess demand (a)	
	Index numbers, 1954 = 100											Percentage of employees			Weekly hours
illions in 1954	21.07	0.72	1.67	7.30	11.38	1.31	0.87	8.83	4.31	0.99	3.90				
1948	94.4(c)	113.7(c)	103.6(c)	94.4(c)	91.8(c)	98.2(c)	100.9(c)	90.2(c)	90.2(c)	94.0(c)	88.8(c)	1.50	2.30	0.68	..
1949	95.1	109.4	103.5	94.6	93.3	98.3	100.5	92.0	90.0	97.8	92.6	1.52	1.95	0.42	..
1950	96.5	111.0	103.1	95.3	95.3	98.4	98.0	94.6	91.8	102.1	95.8	1.53	1.77	0.27	..
1951	97.5	106.4	102.2	95.8	97.3	98.9	98.4	97.0	94.5	103.4	98.0	1.19	2.01	0.69	..
1952	97.4	104.0	102.0	96.4	96.9	97.8	100.6	96.2	96.9	93.8	96.4	1.99	1.34	-0.27	1.0
1953	98.0	101.1	100.7	97.3	97.9	98.6	100.8	97.4	97.1	98.2	97.8	1.64	1.33	-0.04	1.8
1954	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1.34	1.56	0.29	2.0
1955	101.3	97.8	99.3	100.8	102.2	102.0	99.4	102.6	104.6	96.6	101.7	1.08	1.91	0.73	2.1
1956	102.1	91.6	99.5	102.4	102.9	105.0	99.1	103.1	105.9	94.4	101.9	1.19	1.66	0.46	1.9
1957	102.5	91.2	99.9	103.4	103.0	104.3	100.1	103.1	109.0	93.7	102.0	1.43	1.27	0.01	1.9
1958	101.8	89.5	98.6	104.3	101.5	102.3	98.7	101.7	105.5	87.9	101.0	2.10	0.90	-0.67	1.4
1959	102.4	87.8	96.9	106.2	101.5	103.0	94.6	102.2	105.9	86.0	101.9	2.17	1.02	-0.62	1.9
1960												1.63	1.42	-0.08	2.3
1959 I	101.7	87.3	97.6	105.7	100.6	102.0	96.7	100.8	104.5	85.0	100.8	2.34	0.84	-1.03	1.5
1959 II	102.0	87.1	97.1	105.9	101.0	102.9	95.5	101.5	105.1	85.5	101.3	2.21	0.95	-0.76	1.8
1959 III	102.6	87.6	96.6	106.4	101.8	103.4	93.8	102.7	106.4	86.7	102.3	2.14	1.10	-0.41	2.0
1959 IV	103.2	89.1	96.4	106.8	102.5	103.6	92.3	103.7	107.8	86.9	103.0	1.99	1.20	-0.28	2.3
1960 I	103.4	85.0	96.0	106.9	103.1	103.7	90.5	104.7	109.3	86.6	103.6	1.73	1.30	-0.15	2.2
1960 II	103.9	83.3	95.8	107.5	103.9	103.9	88.5	105.9	110.9	87.2	104.5	1.58	1.43	-0.07	2.4
1960 III	104.7	82.7	96.0	108.4	104.7	104.9	87.0	107.0	112.2	87.3	105.5	1.57	1.47	-0.05	2.4
1960 IV												1.62	1.48	-0.05	2.3
October	105.1	85.2	96.7	108.9	104.9	105.3	86.4	107.2	112.5	87.4	105.8	1.59	1.50	-0.04	
Nov.	105.2	86.0	97.0	109.2	104.8	105.2	86.2	107.1	112.4	87.3	105.7	1.61	1.49	-0.04	
Dec.												1.65	1.44	-0.08	
1961 Jan.												1.61	1.44	-0.06	

a) NIESR index based on unemployment and vacancies.

(b) Not seasonally adjusted.

(c) End-June, seasonally adjusted.

Table 4. Unemployment by industry

Percentage of total employees, seasonally adjusted

Year	Metals, metal-using	Textiles	Con-struc-tion	Mining	Trans-port, services	Other
1948	1.54	0.66	2.64	0.32	1.62	1.27
1949	1.34	0.66	2.90	0.30	1.72	1.28
1950	1.18	0.60	2.83	0.33	1.80	1.37
1951	0.83	0.83	2.05	0.26	1.46	1.15
1952	1.17	8.44	2.83	0.26	1.86	1.79
1953	1.33	1.35	2.86	0.28	1.86	1.46
1954	0.92	0.92	2.50	0.25	1.58	1.23
1955	0.63	1.64	1.76	0.19	1.27	1.01
1956	0.94	1.41	2.01	0.21	1.30	1.09
1957	1.07	1.13	2.83	0.31	1.60	1.29
1958	1.76	3.96	4.00	0.57	2.09	1.82
1959	1.79	2.70	4.63	0.98	2.15	1.89
1960	1.19	1.63	3.15	0.77	1.77	1.31
1959 I	2.21	4.37	4.73	0.84	2.16	2.04
1959 II	1.97	2.70	4.50	0.95	2.18	1.90
1959 III	1.56	1.86	4.78	1.04	2.23	1.87
1959 IV	1.42	1.88	4.49	1.10	2.05	1.76
1960 I	1.17	1.92	3.17	0.84	1.92	1.40
1960 II	1.02	1.61	3.22	0.79	1.78	1.28
1960 III	1.05	1.43	3.18	0.75	1.75	1.27
1960 IV	1.53	1.55	3.02	0.70	1.64	1.29
August	1.04	1.47	3.19	0.77	1.83	1.28
Sept.	1.07	1.40	3.16	0.73	1.68	1.23
October	1.24	1.43	3.09	0.72	1.67	1.38
Nov.	1.49	1.55	3.06	0.68	1.64	1.25
Dec.	1.85	1.66	2.90	0.69	1.61	1.26

Table 5. Productivity

Index numbers, 1954 = 100, seasonally adjusted

Year	Output per person employed in						Output per man-hour worked (a)
	gross domestic product	total industrial production	total manufacturing	metals, metal-using	textiles	mining	
1948	89	86	86	84	91	90	88
1949	92	90	89	89	94	93	92
1950	95	93	93	93	98	97	94
1951	95	94	94	96	97	100	96
1952	94	92	92	94	87	99	93
1953	97	96	96	96	99	98	97
1954	100	100	100	100	100	100	100
1955	102	103	104	105	101	100	103
1956	103	103	103	102	102	100	103
1957	105	104	105	102	103	98	106
1958	106	105	105	105	99	96	107
1959	111	111	112	110	107	97	112
1959 I	108	107	107	105	101	94	109
1959 II	110	110	111	110	106	98	112
1959 III	111	111	112	110	108	98	113
1959 IV	114	114	115	116	112	99	116
1960 I	115	116	117	116	109	100	117
1960 II	115	116	117	116	110	100	119
1960 III	115	115	115	113	111	101	118
Aug.		115	115	113	112	99	
Sept.		115	115	112	111	102	
Oct.		115	115	112	112	101	
Nov.		113	113	108	109	101	

(a) In manufacturing.



Table 6. Prices

Index numbers, 1954 = 100

	Capital goods				Export prices	Retail prices	Consumer goods and services								Total final prices
	All assets	Plant, vehicles, etc.	Dwellings	Other building			Total	Food	Drink, tobacco	Housing (inc. rent and rates)	Durable goods	Clothing	All other goods	Services	
1948	78	76	79	81	78	75.7	79.6	67.3	99.2	79.4	84.9	82.2	82.9	79.6	78.1
1949	79	78	80	81	81	77.8	81.2	70.7	98.1	80.9	83.6	85.6	83.6	81.3	80.3
1950	81	81	81	81	85	79.9	83.3	74.6	97.0	83.1	87.0	86.6	85.7	83.8	82.7
1951	90	87	94	91	100	87.6	91.2	83.2	98.3	88.4	99.1	100.4	95.4	90.2	92.7
1952	99	97	104	100	105	95.3	96.5	92.5	99.6	92.5	106.2	100.1	100.5	95.4	98.4
1953	100	100	101	100	101	98.3	98.2	96.2	99.8	97.3	102.4	99.2	99.3	97.9	98.8
1954	100	100	100	100	100	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1955	105	104	106	106	102	104.5	103.4	105.9	100.5	103.5	101.3	100.6	103.0	104.0	103.5
1956	111	110	112	111	106	109.7	107.9	109.9	103.9	107.7	108.5	102.5	109.1	110.0	108.8
1957	115	115	113	115	111	113.8	111.0	112.1	106.4	114.9	110.3	104.1	113.3	114.1	112.7
1958	118	120	115	119	110	117.2	114.0	113.9	108.7	128.3	110.2	105.0	115.3	119.1	115.3
1959	117	119	112	117	109	117.8	114.3	114.8	106.3	135.4	108.0	104.5	114.8	120.4	115.8
1959 I	117	120	112	117	109	118.6	115.0	115.0	108.2	134.0	111.1	104.1	115.6	119.2	116.5
1959 II	117	119	112	118	109	117.5	114.3	115.6	105.4	134.8	107.7	104.4	114.5	120.1	115.7
1959 III	117	119	112	118	108	117.2	114.0	113.5	105.6	136.0	106.6	104.8	115.2	120.3	115.4
1959 IV	117	119	112	116	110	118.1	114.1	115.1	106.4	136.7	107.0	104.6	114.0	121.8	115.6
1960 I	115	117	111	115	111	118.1	114.1	112.5	105.8	137.5	107.2	105.6	114.8	122.1	115.8
1960 II	116	119	111	115	111	118.8	115.4	116.5	108.2	139.1	107.4	105.8	114.0	121.7	117.0
1960 III	118	121	113	117	111	119.0	115.3	114.4	107.7	140.2	107.7	106.4	114.0	123.3	117.2
1960 IV						120.3									
July					111	119.5	115.7	116.2	107.7	140.0	107.7	106.3	113.6	122.6	
August					111	118.7	115.0	113.6	107.7	140.2	107.7	106.3	114.0	123.0	
Sept.					112	118.8	115.1	113.3	107.7	140.3	107.8	106.6	114.4	124.4	
October					112	119.8	116.0	114.7	107.7	140.6	108.2	106.8	116.7	125.0	
Nov.					111	120.3	116.5	114.9	107.7	141.2	108.2	106.9	120.2	125.2	
Dec.					111	120.7									

Table 7. Wages, profits and other costs

Index numbers, 1954 = 100

	Weekly wage rates	Wage rates by industry						Income from employment <sup>(a)</sup>		Profits of companies and public corporations <sup>(a)</sup>	All property income <sup>(a)</sup>		Import prices	Materials used in manufacturing industry	Prices of all manufactured products
		Metals, metal-using	Textiles	Mining	Construction	Agriculture, forestry, fishing	Other industries and services	Total	Per unit of output		Total	Per unit of output			
1948	74.6	73.5	73.5	74.6	72.8	75.1	74.9	66.0	78.1	65.3	70.1	83.0	73	..	..
1949	76.7	76.0	77.0	74.7	74.7	77.8	76.9	70.4	80.4	68.2	73.1	83.4	74	..	..
1950	78.1	76.9	79.4	75.5	76.6	79.0	78.4	74.1	81.4	79.2	81.5	89.6	85	..	..
1951	84.6	83.5	87.1	83.3	83.0	84.5	84.7	82.5	88.8	93.6	90.0	96.9	113	..	..
1952	91.6	91.5	93.0	92.4	90.5	91.7	91.6	88.7	96.3	83.8	85.2	92.5	111	..	..
1953	95.8	95.8	96.7	95.5	95.4	95.9	95.9	93.7	97.8	89.9	91.2	95.2	101	..	..
1954	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100	100.0	100.0
1955	106.9	106.8	104.9	107.3	106.2	105.6	106.3	109.3	105.5	109.8	107.4	103.7	103	103.0	102.6
1956	115.4	115.5	110.6	117.7	114.2	113.8	114.7	119.2	114.2	113.6	111.9	107.2	105	106.7	107.0
1957	121.2	121.1	114.9	124.1	120.5	119.1	120.6	125.9	118.4	119.7	117.4	110.4	107	107.4	110.4
1958	125.4	125.4	118.5	126.6	125.5	126.4	125.4	130.7	122.8	117.8	120.1	112.9	99	100.8	111.1
1959	128.7	129.0	120.6	130.4	128.9	130.6	128.7	135.9	121.8	129.7	129.3	115.9	98	101.8	111.6
1959 I	128.2	128.7	120.0	130.3	128.4	130.6	128.0	132.8	123.1	121.7	123.3	114.3	98	101.4	111.8
1959 II	128.5	129.0	120.6	130.4	129.1	130.6	128.4	135.3	122.3	129.2	128.9	116.5	97	101.2	111.3
1959 III	128.8	129.0	120.7	130.4	129.1	130.6	129.0	136.5	121.4	128.9	129.4	115.1	98	101.6	111.4
1959 IV	129.2	129.1	121.0	130.4	129.1	130.6	129.5	138.9	120.5	138.8	135.7	117.7	100	102.8	111.7
1960 I	130.5	129.5	122.5	130.6	129.2	131.7	130.6	140.6	120.4	142.6	138.2	118.3	100	103.0	111.9
1960 II	131.8	130.4	125.7	130.6	132.2	134.5	131.8	144.7	122.8	145.1	140.3	119.1	99	102.5	112.9
1960 III	132.4	130.8	126.3	131.7	133.8	134.5	132.4	147.6	125.5				98	101.0	113.5
1960 IV														100.9	113.7
July	132.1	130.7	125.7	130.7	133.7	134.5	132.0						98	101.6	113.4
August	132.4	130.7	126.5	130.7	133.7	134.5	132.3						98	100.8	113.5
Sept.	132.8	130.9	126.6	133.7	134.1	134.5	132.9						98	100.6	113.5
October	132.8	131.1	127.2	133.7	134.2	134.5	133.2						99	100.6	113.6
Nov.	133.0												99	101.0	113.7
Dec.	134.5												98	101.1	113.8

(a) Seasonally adjusted.

Table 8. Personal income and expenditure

£ million, quarterly averages, seasonally adjusted

\$ million, quarterly averages, seasonally adjusted

	Dispos- able income	Total personal savings	Con- sumers' expend- iture	Consumers' expenditure											All other goods	Services
				Total	Food	Alco- holic drinks	Tobacco	Housing (inc. rent and rates)	Fuel, light	Cloth- ing	Durable goods					
											Cars, motor cycles	Furni- ture, etc.	Radio, electric, etc.			
at current prices				at 1954 prices												
948	2,158	28	2,130	2,677	834	201	200	235	109	274	13	56	36	238	482	
949	2,277	57	2,220	2,735	866	194	194	234	108	296	16	68	40	260	459	
950	2,394	50	2,344	2,813	905	198	196	238	113	307	17	77	45	271	447	
951	2,594	66	2,528	2,773	887	204	202	239	117	278	16	71	50	263	446	
952	2,818	156	2,662	2,758	878	202	206	244	115	274	23	62	48	264	442	
953	3,000	179	2,821	2,874	911	205	209	252	117	281	40	70	60	288	442	
954	3,158	144	3,014	3,014	946	205	214	263	122	301	55	77	74	310	448	
955	3,443	213	3,230	3,124	972	215	219	257	124	322	74	72	82	337	450	
956	3,703	297	3,406	3,157	993	220	222	261	129	336	57	70	74	346	450	
957	3,878	298	3,580	3,225	1,011	224	228	264	127	346	63	75	82	354	452	
958	4,051	282	3,769	3,305	1,026	224	233	268	137	345	84	80	90	374	446	
959	4,251	322	3,929	3,437	1,045	233	238	270	136	360	106	88	107	397	458	
958 I	4,009	277	3,732	3,285	1,022	229	232	266	137	341	79	78	87	369	445	
958 II	4,033	291	3,742	3,278	1,021	221	235	267	139	341	84	76	86	366	442	
958 III	4,048	291	3,757	3,295	1,028	220	232	268	132	347	80	79	85	376	448	
958 IV	4,113	270	3,843	3,361	1,032	226	231	269	139	352	91	88	100	383	450	
959 I	4,147	270	3,877	3,370	1,037	221	231	269	144	350	85	85	101	391	456	
959 II	4,270	341	3,929	3,457	1,051	237	240	269	133	362	107	91	115	395	457	
959 III	4,264	357	3,907	3,420	1,041	237	241	271	129	353	100	89	112	389	458	
959 IV	4,322	320	4,002	3,500	1,051	236	238	271	136	375	133	88	99	413	460	
1960 I	4,400	311	4,089	3,583	1,081	240	247	273	150	372	137	91	115	418	459	
1960 II	4,532	402	4,130	3,591	1,073	255	248	274	139	387	141	88	106	420	460	
1960 III	4,565	496	4,069	3,533	1,057	241	245	275	149	386	126	83	94	424	453	

Table 9. Fixed investment : factory building approvals

£ million, 1954 prices, quarterly averages, seasonally adjusted

	Total	Dwellings		Industries and services										Factory building approvals(b)	
		Public	Private	Total	By type of asset			By industry group(a)					By sector		Area, mn sq. ft.
					Plant, machinery	Vehicles, ships, aircraft	Buildings, works	Fuel, power	Public services	Transport, communications	Manufacturing	Other industries, services	Public	Private	
	510	87	17	406	181	98	127	65	35	46	121	125	151	255	14.6
	535	86	16	433	202	88	143	70	42	44	140	123	166	267	11.5
	535	84	16	435	218	78	139	70	45	43	148	116	187	248	11.7
	537	95	24	418	207	70	141	72	44	40	142	109	196	222	6.6
	595	113	42	440	209	83	148	81	46	44	138	121	212	228	9.3
	647	105	56	486	232	91	163	96	48	47	145	139	220	266	17.7
	679	85	60	534	250	104	180	102	49	49	161	162	224	310	22.8
	713	77	63	573	257	111	205	97	56	58	183	167	236	337	17.8
	743	72	63	608	273	117	218	100	61	68	192	178	253	355	15.9
	747	60	67	620	272	123	225	105	66	66	182	189	256	364	11.4
	786	60	84	642	270	132	240	116	75	70	168	200	280	362	14.5
I	749	64	63	622	272	129	221	107	62	70	185	187	265	357	12.0
II	744	62	65	617	271	122	224	104	63	67	185	187	254	363	10.4
III	745	58	68	619	273	120	226	105	69	64	183	186	252	367	11.5
IV	750	55	73	622	274	120	228	103	69	65	176	196	255	367	11.9
I	749	60	77	612	261	127	224	108	69	63	165	196	258	354	16.1
II	778	58	80	640	272	138	230	110	73	63	167	214	267	373	13.7
III	798	62	87	649	273	131	245	121	79	74	168	193	291	358	12.7
IV	819	61	92	666	274	132	260	126	79	80	171	196	303	363	15.7
I	851	59	93	699	287	146	266	125	83	80	185	212	306	393	35.3
II	852	61	103	688	273	146	269	106	81	71	193	221	276	412	23.1
III	882	58	100	724	299	144	281	113	91	83	215	207	304	420	20.4

changes to this table see page 64.  
Great Britain.

(a) Excluding legal fees, etc. (which are included in the other columns), of which the industry distribution is not known.



**Table 10. Contractors' orders and work done**  
£ million, 1954 prices, quarterly averages

2 million, 1954 prices, quarterly averages.

	Total	New housing	Other new work		
			Public	Industrial	Miscellaneous
Orders received by contractors					
1957	294	118	86	47	43
1958	276	115	81	40	40
1959(a) I	354	172	87	47	48
II	346	146	95	55	50
III	325	147	82	48	48
IV	380	161	107	60	52
1960 I	422	176	116	72	58
II	399	158	105	80	56
III	391	156	98	71	66
Work done by contractors(b)					
1955	275	129	67	50	29
1956	301	127	76	61	36
1957	303	123	81	60	40
1958	301	114	88	57	42
1959(a) I	325	124	95	60	46
II	322	122	96	59	45
III	339	131	98	62	48
IV	339	134	93	62	50
1960 I	344	135	93	66	50
II	359	143	91	71	54
III	368	142	94	77	55

(a) From the beginning of 1959 the figures are given according to the Revised Standard Industrial Classification 1958.  
(b) Seasonally adjusted.

**Table 11. Changes in the volume of stocks**  
£ million, 1954 prices, quarterly averages, seasonally adjusted

£ million, 1954 prices, quarterly averages, seasonally adjusted

	Total stocks	Manufacturing and distribution						
		Total	Manufacturing				Distribution	
			Total	Materials and fuel <sup>(b)</sup>	Work in progress <sup>(b)</sup>	Finished goods <sup>(b)</sup>	Whole- sale	Retail
Value at end 1959 <sup>(a)</sup>	8.4	6.0	4.2	1.7	1.5	1.0	0.9	0.9
1955	+72	..	+63	+26	+ 8	+29	..	+ 9
1956	+66	+59	+51	+13	+24	+14	+ 3	+ 5
1957	+64	+67	+42	+20	+19	+ 3	+15	+10
1958	+25	+17	+ 8	-20	+ 5	+23	+ 6	+ 4
1959	+30	+17	+ 8	+ 2	+13	- 7	- 2	+11
1957 I	+130	+125	+69	+46	+26	+38	+40	+16
II	+85	+91	+46	-29	+57	+22	+33	+12
III	+25	+31	+32	+52	+26	-43	- 4	+ 3
IV	+15	+22	+21	+12	-33	- 4	- 9	+10
1958 I	+40	+35	+29	-21	+17	+67	+ 4	+ 2
II	-19	-26	- 2	-61	+18	+58	-20	- 4
III	+51	+47	+ 3	+15	+ 2	-19	+36	+ 8
IV	+30	+13	—	-13	-19	-13	+ 4	- 9
1959 I	-33	-41	-39	-12	+ 1	+ 8	+ 5	- 7
II	+33	+ 7	-19	- 8	+22	-18	- 7	+33
III	+25	+ 1	+10	+34	+17	-45	- 6	- 3
IV	+95	+100	+78	- 4	+10	+26	+ 1	+21
1960 I	+ 70	+ 78	+54	+30	+ 9	+49	- 4	+28
II	+154	+149	+100	+43	+49	+25	+17	+32
III	+140	+133	+117	+87	+17	+ 2	+37	-21

For changes to this table see page 64.  
(a) £ billion. (b) Unadjusted.

**Table 12. New orders and orders on hand**

	Engineering(a)						Shipbuilding : merchant vessels		Textiles and clothing		
	Total		For export		For home market		New orders (d)	Orders on hand(e)	Net new orders(f)	Orders on hand(g)	
	Net new orders(b)	Orders on hand(c)	Net new orders(b)	Orders on hand(c)	Net new orders(b)	Orders on hand(c)					
							'000 gross tons				
1954	..	97	..	93	..	99	159	4,333	..	..	
1955	..	106	..	96	..	109	582	5,287	..	..	
1956	..	104	..	103	..	105	619	6,442	..	..	
1957	..	101	..	101	..	101	420	6,828	..	..	
1958	91	88	89	86	92	89	124	5,430	..	..	
1959	107	90	104	88	108	90	80	4,169	..	135	
1958 I	111	100	118	101	109	100	..	6,331	..	..	
II	87	96	82	95	89	96	..	5,970	..	..	
III	81	92	80	90	82	92	..	5,953	..	..	
IV	93	88	88	86	95	89	..	5,430	..	..	
1959 I	99	87	96	84	100	88	55	5,103	..	..	
II	109	87	104	84	110	88	44	4,734	105	107	
III	100	87	97	84	101	88	48	4,473	108	119	
IV	121	90	121	88	120	90	172	4,169	122	135	
1960 I	137	97	129	95	140	98	196	4,044	106	135	
II	120	99	115	97	122	100	158	3,780	103	136	
III	118	104	116	101	118	104	63	3,494	89	130	
IV							210	3,348			
July	125	101	129	99	124	102			85	135	
August	110	103	100	101	113	104			76	131	
Sept.	119	104	120	101	119	104			109	130	
Oct.	122	103	116	101	124	104			131	137	
Nov.	131	105	130	102	131	106			127	142	

(a) Including certain heavy vehicles. (b) Adjusted for the lengths of calendar months, average deliveries 1958=100, at 1958 prices. (c) At end of period; January 1958=100, at 1958 average prices. (d) Quarterly rates or averages. (e) At end of period. (f) Adjusted for the lengths of calendar months, average deliveries 1959=100, at 1958 average prices. (g) At end of period, April 1959=100, at 1958 average prices.

**Table 13. Credit**  
Quarterly averages

	Hire purchase debt	London Clearing Banks	
		Ad- vances	Liquidity ratio
		£mn, change in period	per cent
1953	..	-10	35.1
1954	..	+48	33.7
1955	..	+11	32.5
1956	-21	+15	35.3
1957	+18	-8	35.1
1958	+27	+91	34.0
1959	+73	+167	32.8
1958 I	+2	+36	35.9
II	+17	+112	32.8
III	+12	-2	33.5
IV	+77	+218	33.8
1959 I	+56	+238	32.7
II	+91	+132	31.4
III	+77	+153	32.9
IV	+69	+146	34.1
1960 I	+60	+211	32.6
II	+47	+128	31.5
III	-4		
Sept.	-24	+24	31.6
October	-21	+84	31.5
Nov.		+20	31.3
Dec.		-28	31.9

Table 14. U.K. imports and exports and changes in imported stocks

Quarterly averages

Quarterly averages															
	Imports				Exports (exc. re-exports)				Adjusted balance of visible trade (a) (b)	Terms of trade import/export	Stock changes of mainly imported commodities				
	Value c.i.f.		Volume		Value f.o.b.		Volume				Total	Total	Food and tobacco	Industrial materials	Fuel
	As recorded	Adjusted (a)	As recorded	Adjusted (a)	As recorded	Adjusted (a)	As recorded	Adjusted (a)							
	£mn.	1954 = 100	£mn.	1954 = 100	£mn.	1954 = 100	Current prices	1954 prices, £mn. c.i.f.							
50	645	645	89	89	538	538	101	100	- 87	100	-30.3	-33.4	-14.1	-20.1	+ 0.8
51	970	970	100	100	642	642	100	98	-297	113	+32.0	+19.7	+10.4	+ 2.0	+ 7.3
52	864	864	92	92	642	642	94	92	-187	106	+20.8	+20.5	+ 2.1	+13.4	+ 5.0
53	830	830	99	99	639	639	96	94	-165	100	+22.0	+16.9	+ 9.6	+ 3.8	+ 3.5
54	838	838	100	100	662	672	100	100	-142	100	- 5.0	- 5.0	- 2.1	- 5.7	+ 2.8
55	965	965	112	112	719	709	107	104	-227	101	+ 2.0	+ 2.0	- 4.5	+ 1.8	+ 4.7
56	965	974	111	112	786	781	113	111	-157	99	-13.3	-12.1	- 0.6	-10.9	- 0.6
57	1,011	1,003	115	114	824	822	116	114	-149	96	+25.2	+21.9	+ 5.9	+ 8.0	+ 8.0
58	937	936	114	114	794	794	111	110	-108	90	- 1.3	- 1.0	- 0.3	- 1.5	+ 0.8
59	996	997	122	123	833	833	116	114	-131	90	+ 2.9	+ 4.0	- 2.5	- 2.7	+ 9.3
60	1,140	1,140	138	138	884	884	121	121	-220						
58 I	928	923	114	113	814	806	113	111	- 83	90	-27.8	-19.7	+ 2.3	-15.5	- 6.5
58 II	900	911	110	111	768	794	108	110	- 84	90		-31.5	-20.7	- 4.9	- 5.8
58 III	938	945	113	114	777	777	109	107	-129	90		+14.2	- 9.3	+17.4	+ 6.1
58 IV	985	966	121	118	817	799	115	111	-134	90		+25.3	+33.5	+25.0	- 0.7
59 I	941	965	117	120	792	784	111	108	-152	90	- 7.2	+ 2.5	+13.6	-10.6	- 0.4
59 II	983	960	123	120	845	832	118	114	- 96	89		-19.1	-33.0	-10.0	+23.9
59 III	984	996	119	121	790	834	111	116	-130	90		+ 8.7	-18.1	+15.1	+11.6
59 IV	1,082	1,074	130	130	902	880	125	120	-159	91		+10.2	+23.4	+27.3	+ 4.6
60 I	1,125	1,113	136	134	920	912	127	124	-168	90	+ 2.0	- 2.7	+ 9.9	-10.9	- 1.7
60 II	1,141	1,128	140	137	900	885	124	120	-210	88		+11.9	- 9.9	+10.0	+11.8
60 III	1,121	1,155	135	138	814	864	113	119	-252	88		+48.8	-15.6	+50.9	+13.5
60 IV	1,175	1,177	..	142	903	882	..	122	-258	88					
August	1,144	1,155	..	138	839	891	..	123	-222	88					
Sept.	1,090	1,155	..	138	780	885	..	122	-228	88					
October	1,137	1,155	..	138	772	756	..	105	-366	88					
Nov.	1,261	1,233	..	147	1,027	984	..	136	-210	89					
Dec.	1,148	1,161	..	139	908	903	..	124	-219	88					

(a) Adjusted for dock strikes and other statistical disturbances as well as for seasonal movements and for the different number of working days. Exports exclude and-lease silver. (b) Exports and re-exports less imports.

Table 15. Volume of U.K. imports, by commodity

Index numbers(a), 1954 = 100

	Food and beverages	Tobacco	Basic materials					Fuels		Semi-manufactures and manufactures mainly for industrial use				Finished manufactures	
			Total	Textile materials	Wood	Pulp	Ores and scrap	Total	Petroleum and products	Total	Iron and steel	Non-ferrous metals	Textile manufactures	Total	Machinery
Value 1959 £mn.	1,437	85	931	273	142	100	123	468	467	661	40	205	98	392	203
1950	92	97	97	110	77	72	88	65	68	86	139	78	121	74	80
1951	101	113	102	96	120	87	82	86	88	111	150	91	152	76	86
1952	91	71	90	88	83	73	90	83	87	97	352	103	71	107	142
1953	102	104	101	110	101	82	95	90	94	86	198	85	65	115	118
1954	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1955	107	111	106	98	114	118	112	121	107	126	363	109	107	122	124
1956	109	102	102	100	92	113	114	115	112	121	379	101	120	136	137
1957	114	103	106	101	101	112	126	114	115	122	215	110	129	152	145
1958	120	101	94	89	89	111	94	124	129	119	139	114	124	166	153
1959	120	97	100	103	98	120	91	143	151	135	136	121	149	201	178
1959 I	128	42	93	110	59	114	74	134	140	120	96	115	135	166	161
1959 II	121	78	100	109	90	115	76	154	162	131	149	121	135	205	191
1959 III	111	105	101	85	135	114	104	144	151	134	134	121	146	209	171
1959 IV	122	163	107	106	108	137	110	142	150	153	163	128	179	225	188
1960 I	127	74	107	111	70	143	118	159	167	166	227	146	196	276	208
1960 II	124	70	108	95	108	148	131	154	162	177	370	154	190	327	228
1960 III	113	131	112	77	165	139	153	151	159	175	400	153	187	268	208

(a) Unadjusted.



Table 16. Volume of U.K. exports, by commodity and area

Index numbers, 1954 = 100, seasonally adjusted

	By commodity											By area			
	Food, bever- ages, tobacco	Basic mater- ials, fuels	Manufactures									Sterling area (b)	Other primary pro- ducers	North America	Western Europe
			Total	Metals and engineering					Textiles	Chem- icals	Other manu- factures (a)				
				Total	Metals	Metal goods (a)	Machin- ery	Trans- port equip- ment							
Value 1959 £mn	190	249	2,809	1,918	304	186	857	570	248	293	349	1,374	356	567	911
1950	93	78	106	102	106	101	99	105	125	79	121	94	129	105	94
1951	95	61	105	100	80	103	104	101	126	92	118	101	114	100	90
1952	91	77	96	98	84	97	106	93	94	77	100	91	111	94	89
1953	94	93	96	97	94	105	100	92	103	79	97	94	93	112	96
1954	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1955	106	100	109	110	113	114	110	106	96	117	112	106	102	115	107
1956	115	103	115	118	126	110	117	121	92	126	113	105	113	137	116
1957	124	96	118	121	139	105	120	123	92	137	113	105	120	143	116
1958	121	98	113	118	135	90	114	127	79	135	112	101	114	153	107
1959	118	106	117	121	148	89	118	128	79	155	115	96	110	187	116
1958 I	113	97	114	118	126	93	116	126	87	135	113	105	116	147	107
1958 II	121	92	107	112	128	88	109	118	76	127	107	97	112	147	102
1958 III	128	100	116	123	140	85	117	140	77	143	110	104	119	148	112
1958 IV	119	101	114	120	148	94	113	126	74	133	117	98	110	168	107
1959 I	100	106	110	114	135	82	110	124	74	142	110	90	117	167	109
1959 II	117	107	118	121	130	92	118	135	81	156	115	97	109	197	116
1959 III	127	101	118	122	162	86	119	124	79	164	110	96	108	189	119
1959 IV	128	110	123	127	164	96	123	128	82	160	126	103	108	196	123
1960 I	126	117	127	132	160	95	128	142	85	168	117	99	130	207	127
1960 II	122	107	125	128	146	101	126	135	80	181	119	101	117	181	128
1960 III	125	101	121	123	141	92	128	120	78	188	117	104	119	148	127

(a) Unadjusted.

(b) Including Iraq.

Table 17. World industrial production

Index numbers, 1953 = 100, seasonally adjusted

	World (a) (b)	U.S.A.	Canada	U.K.	Conti- nental O.E.E.C. (c)	Western Ger- many	France	Italy	Belgium	Sweden	Nether- lands	Austria	Latin America (a)	Japan (a)	U.S.S.R.
1950	84	84	83	94	82	72	89	78	93	95	88	86	90	55	69
1951	91	90	90	98	92	85	99	89	106	100	91	97	97	77	80
1952	93	93	94	94	94	91	98	91	101	98	91	98	98	83	90
1953	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1954	101	93	100	108	109	112	109	109	106	104	110	114	107	108	114
1955	112	104	110	114	121	129	117	119	116	111	118	133	117	116	128
1956	117	109	120	114	130	139	128	128	123	115	124	138	127	144	141
1957	121	110	120	116	138	147	139	138	123	119	127	146	137	167	156
1958	118	102	119	114	143	152	145	143	115	122	127	150	144	168	172
1959	130	116	128	121	151	162	152	158	119	127	139	156	146	208	191
1958 I	116	99	117	116	143	151	153	141	119	124	124	153	135	167	
1958 II	116	98	119	114	142	150	153	139	113	122	127	151	142	163	
1958 III	116	103	117	113	142	151	151	142	114	120	128	150	149	165	
1958 IV	124	108	120	115	145	154	151	148	114	123	130	150	148	176	
1959 I	125	112	125	116	146	156	151	152	114	125	134	152	142	188	
1959 II	132	120	129	120	149	159	157	153	118	125	138	153	150	201	
1959 III	126	115	128	122	152	163	160	157	120	127	140	155	146	212	
1959 IV	135	115	131	127	158	171	169	170	126	132	144	160	148	228	
1960 I	136	121	133	130	163	176	168	177	125	133	153	165		247	
1960 II	138	120	130	131	166	179	170	181	127	133	161	166		254	
1960 III		119	128	131	167	178	176	184	127	137	155	168			
July		121	127	131	166	176	174	182	125	137	157	174		259	
August		119	128	131	167	178	176	186	128	138	152	165		258	
Sept.		118	130	131	169	180	178	184	127	136	156	166		268	
October		118		131		181	176	178		136	155	170		271	
November		116		129		184	178								
December		114													

(a) World, Latin America and Japan are not seasonally adjusted.

(b) Excludes U.S.S.R. Eastern Europe and China

(c) Excludes Spain.

Table 18. Trade of industrial countries

\$ billion, quarterly averages

	Total (a)			U.S.A.			Canada			U.K.			Continental O.E.E.C. (a)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
8	8.26	9.11	-0.85	3.17	2.01	+1.15	0.84	0.76	+0.08	1.65	2.09	-0.44	2.54	4.07	-1.53
9	8.65	9.01	-0.36	3.02	1.88	+1.14	0.77	0.73	+0.04	1.71	2.13	-0.42	3.02	4.03	-1.01
0	8.44	9.38	-0.94	2.57	2.40	+0.17	0.77	0.78	-0.01	1.59	1.84	-0.25	3.31	4.12	-0.81
1	11.82	12.76	-0.94	3.76	2.97	+0.78	1.01	1.03	-0.02	1.90	2.75	-0.84	4.81	5.51	-0.69
2	12.00	12.42	-0.42	3.80	2.92	+0.89	1.18	1.09	+0.09	1.92	2.45	-0.53	4.77	5.45	-0.68
3	12.13	12.38	-0.24	3.95	2.95	+1.00	1.14	1.17	-0.03	1.86	2.33	-0.47	4.86	5.32	-0.46
4	12.58	12.75	-0.16	3.78	2.76	+1.02	1.10	1.11	-0.01	1.92	2.35	-0.43	5.37	5.92	-0.55
5	13.82	14.46	-0.64	3.89	3.09	+0.80	1.19	1.25	-0.06	2.10	2.70	-0.61	6.14	6.80	-0.66
6	15.76	16.27	-0.51	4.77	3.45	+1.32	1.31	1.53	-0.22	2.30	2.70	-0.40	6.75	7.78	-1.04
7	17.19	17.65	-0.46	5.22	3.57	+1.64	1.35	1.55	-0.20	2.40	2.83	-0.43	7.51	8.63	-1.11
8	16.39	16.41	-0.02	4.47	3.53	+0.94	1.35	1.41	-0.07	2.32	2.62	-0.30	7.52	8.08	-0.56
9	17.38	17.93	-0.56	4.39	4.14	+0.26	1.41	1.56	-0.15	2.42	2.79	-0.37	8.28	8.54	-0.26
57 I	17.08	17.92	-0.84	5.45	3.54	+1.91	1.22	1.50	-0.28	2.43	2.94	-0.51	7.33	8.88	-1.55
II	17.34	18.18	-0.84	5.47	3.50	+1.97	1.33	1.71	-0.38	2.44	2.89	-0.45	7.42	8.79	-1.37
III	16.75	17.23	-0.48	4.93	3.54	+1.39	1.45	1.55	-0.10	2.29	2.77	-0.48	7.31	8.30	-0.99
IV	17.59	17.28	+0.30	5.01	3.71	+1.30	1.40	1.44	-0.05	2.43	2.72	-0.30	7.99	8.53	-0.55
58 I	15.93	16.32	-0.39	4.41	3.48	+0.93	1.17	1.28	-0.11	2.39	2.59	-0.21	7.25	8.16	-0.91
II	16.19	16.30	-0.12	4.58	3.46	+1.12	1.43	1.51	-0.08	2.24	2.53	-0.28	7.25	8.03	-0.78
III	15.80	15.80	—	4.18	3.37	+0.82	1.35	1.36	-0.01	2.27	2.62	-0.35	7.31	7.72	-0.41
IV	17.62	17.21	+0.42	4.73	3.83	+0.90	1.44	1.51	-0.07	2.39	2.75	-0.36	8.27	8.40	-0.13
59 I	15.61	16.42	-0.81	4.14	3.89	+0.25	1.14	1.38	-0.23	2.31	2.63	-0.33	7.30	7.73	-0.43
II	17.28	18.13	-0.85	4.46	4.19	+0.27	1.47	1.72	-0.25	2.46	2.75	-0.30	8.08	8.52	-0.44
III	17.13	17.65	-0.52	4.35	4.17	+0.18	1.45	1.54	-0.10	2.30	2.76	-0.46	8.15	8.28	-0.13
IV	19.48	19.54	-0.05	4.64	4.31	+0.33	1.59	1.60	-0.01	2.63	3.03	-0.40	9.60	9.64	-0.04
60 I	19.31	19.93	-0.62	4.89	4.13	+0.76	1.42	1.51	-0.09	2.68	3.15	-0.47	9.43	10.01	-0.58
II	19.73	20.31	-0.58	5.37	4.17	+1.20	1.41	1.64	-0.23	2.61	3.21	-0.60	9.38	10.17	-0.79
III	19.02	19.51	-0.50	4.93	3.85	+1.08	1.50	1.44	+0.06	2.38	3.15	-0.77	9.16	9.94	-0.78
IV										2.63	3.29	-0.66			

Excludes W. Germany in 1948 and 1949 and Spain throughout.

\$ billion, quarterly averages

	Western Germany			France			Italy			Netherlands			Japan		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1948	..	..	..	0.50	0.86	-0.36	0.27	0.38	-0.12	0.26	0.47	-0.21	0.06	0.17	-0.11
1949	..	..	..	0.68	0.82	-0.14	0.28	0.39	-0.11	0.34	0.46	-0.13	0.13	0.23	-0.10
1950	0.49	0.67	-0.18	0.76	0.76	—	0.30	0.37	-0.07	0.35	0.51	-0.16	0.20	0.24	-0.04
1951	0.87	0.87	-0.01	1.02	1.11	-0.09	0.41	0.54	-0.13	0.49	0.64	-0.15	0.34	0.50	-0.17
1952	1.00	0.95	+0.05	0.96	1.08	-0.12	0.35	0.58	-0.24	0.53	0.56	-0.03	0.32	0.51	-0.19
1953	1.10	0.94	+0.15	0.95	0.99	-0.04	0.38	0.60	-0.23	0.54	0.59	-0.06	0.32	0.60	-0.28
1954	1.31	1.14	+0.17	1.05	1.06	-0.01	0.41	0.61	-0.20	0.60	0.71	-0.11	0.41	0.60	-0.19
1955	1.53	1.45	+0.09	1.23	1.18	+0.04	0.46	0.68	-0.21	0.67	0.80	-0.13	0.50	0.62	-0.11
1956	1.84	1.65	+0.19	1.13	1.39	-0.25	0.54	0.79	-0.26	0.72	0.93	-0.22	0.62	0.81	-0.18
1957	2.14	1.89	+0.26	1.28	1.54	-0.27	0.64	0.92	-0.28	0.77	1.03	-0.25	0.71	1.07	-0.36
1958	2.20	1.89	+0.31	1.28	1.40	-0.12	0.64	0.80	-0.16	0.80	0.91	-0.10	0.72	0.76	-0.04
1959	2.45	2.12	+0.33	1.40	1.27	+0.13	0.72	0.84	-0.11	0.90	0.98	-0.08	0.86	0.90	-0.04
1957 I	2.00	1.83	+0.17	1.33	1.69	-0.36	0.59	0.94	-0.34	0.76	1.08	-0.32	0.66	1.07	-0.41
II	2.11	1.82	+0.29	1.29	1.69	-0.39	0.63	0.95	-0.32	0.72	1.04	-0.33	0.67	1.28	-0.61
III	2.15	1.88	+0.26	1.16	1.43	-0.27	0.66	0.86	-0.20	0.78	1.01	-0.22	0.77	1.07	-0.30
IV	2.31	2.01	+0.31	1.32	1.36	-0.04	0.67	0.93	-0.26	0.84	0.97	-0.14	0.76	0.87	-0.11
1958 I	2.06	1.88	+0.18	1.27	1.51	-0.24	0.62	0.82	-0.20	0.77	0.87	-0.10	0.71	0.80	-0.09
II	2.13	1.77	+0.36	1.22	1.52	-0.30	0.64	0.81	-0.17	0.76	0.90	-0.14	0.68	0.78	-0.09
III	2.23	1.88	+0.35	1.15	1.26	-0.11	0.66	0.76	-0.11	0.81	0.88	-0.07	0.69	0.73	-0.04
IV	2.39	2.04	+0.35	1.47	1.32	+0.15	0.66	0.83	-0.16	0.88	0.97	-0.09	0.80	0.72	+0.08
1959 I	2.12	1.83	+0.29	1.18	1.20	-0.02	0.64	0.77	-0.13	0.81	0.90	-0.09	0.73	0.79	-0.06
II	2.39	2.08	+0.31	1.42	1.31	+0.11	0.65	0.84	-0.19	0.88	0.99	-0.11	0.81	0.95	-0.14
III	2.45	2.15	+0.30	1.33	1.14	+0.20	0.77	0.82	-0.05	0.89	0.98	-0.09	0.88	0.90	-0.02
IV	2.83	2.42	+0.41	1.68	1.44	+0.23	0.84	0.92	-0.08	1.03	1.06	-0.03	1.03	0.96	+0.07
1960 I	2.72	2.37	+0.35	1.81	1.62	+0.19	0.88	1.15	-0.28	0.98	1.11	-0.13	0.88	1.13	-0.25
II	2.74	2.52	+0.22	1.69	1.58	+0.11	0.92	1.17	-0.25	0.96	1.11	-0.14	0.96	1.11	-0.15
III	2.75	2.46	+0.29	1.54	1.46	+0.08	0.92	1.17	-0.25	1.00	1.11	-0.11	1.05	1.13	-0.08
IV	3.20	2.76	+0.44	1.83	1.63	+0.21	0.96	1.24	-0.28	1.09	1.21	-0.11	1.16	1.12	+0.05



	\$ billion, quarterly averages														
	South Africa			Latin America excluding Venezuela			Oil producing countries						Others (excluding oil producers)		
							Sterling			Non-Sterling					
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1948	0.15	0.40	-0.25	1.36	1.35	—	0.12	0.12	—	0.58	0.47	+0.11	0.88	1.27	-0.39
1949	0.16	0.34	-0.18	1.15	1.15	—	0.14	0.13	+0.02	0.65	0.48	+0.17	0.88	1.37	-0.49
1950	0.17	0.25	-0.08	1.41	1.24	+0.17	0.19	0.14	+0.05	0.72	0.46	+0.26	1.01	1.22	-0.21
1951	0.22	0.38	-0.15	1.61	1.77	-0.16	0.26	0.16	+0.10	0.83	0.55	+0.28	1.37	1.68	-0.31
1952	0.22	0.34	-0.12	1.40	1.71	-0.31	0.29	0.17	+0.12	0.77	0.59	+0.18	1.21	1.84	-0.63
1953	0.23	0.35	-0.12	1.54	1.41	+0.14	0.31	0.19	+0.12	0.81	0.59	+0.22	1.23	1.72	-0.50
1954	0.26	0.36	-0.10	1.55	1.60	-0.05	0.34	0.21	+0.13	0.94	0.65	+0.29	1.27	1.69	-0.42
1955	0.26	0.37	-0.11	1.53	1.62	-0.09	0.39	0.22	+0.16	1.07	0.72	+0.35	1.35	1.82	-0.47
1956	0.30	0.38	-0.09	1.63	1.67	-0.04	0.40	0.22	+0.18	1.16	0.81	+0.35	1.39	1.94	-0.55
1957	0.32	0.42	-0.10	1.57	1.87	-0.30	0.44	0.25	+0.20	1.25	1.02	+0.23	1.47	2.14	-0.67
1958	0.28	0.43	-0.15	1.47	1.73	-0.27	0.50	0.25	+0.24	1.31	0.96	+0.35	1.38	2.02	-0.64
1959	0.31	0.38	-0.07	1.48	1.59	-0.11	0.49	0.26	+0.23	1.30	0.93	+0.37	1.44	1.91	-0.48
1957 I	0.33	0.41	-0.07	1.68	1.72	-0.04	0.39	0.22	+0.17	1.15	0.95	+0.19	1.53	2.00	-0.47
II	0.32	0.42	-0.10	1.56	1.89	-0.33	0.45	0.23	+0.22	1.28	0.97	+0.30	1.47	2.26	-0.80
III	0.30	0.43	-0.13	1.50	1.92	-0.41	0.48	0.27	+0.21	1.31	1.02	+0.29	1.42	2.14	-0.72
IV	0.34	0.43	-0.09	1.55	1.95	-0.40	0.46	0.26	+0.19	1.28	1.14	+0.14	1.48	2.17	-0.69
1958 I	0.29	0.48	-0.19	1.46	1.67	-0.21	0.49	0.25	+0.23	1.29	0.99	+0.30	1.44	2.05	-0.61
II	0.29	0.45	-0.16	1.46	1.76	-0.30	0.50	0.25	+0.24	1.24	0.92	+0.31	1.39	2.00	-0.60
III	0.26	0.40	-0.14	1.42	1.76	-0.34	0.50	0.25	+0.24	1.31	0.91	+0.40	1.27	1.90	-0.63
IV	0.28	0.38	-0.09	1.53	1.74	-0.21	0.51	0.26	+0.25	1.39	1.01	+0.38	1.42	2.14	-0.72
1959 I	0.28	0.36	-0.08	1.44	1.33	+0.11	0.49	0.26	+0.24	1.39	0.97	+0.42	1.35	1.75	-0.40
II	0.31	0.39	-0.08	1.52	1.57	-0.05	0.48	0.26	+0.22	1.22	0.89	+0.32	1.54	1.91	-0.37
III	0.30	0.36	-0.06	1.56	1.71	-0.15	0.49	0.26	+0.23	1.25	0.89	+0.36	1.36	1.90	-0.54
IV	0.34	0.39	-0.05	1.38	1.74	-0.36	0.49	0.27	+0.22	1.36	0.97	+0.39	1.50	2.09	-0.59
1960 I	0.32	0.42	-0.09	1.50	1.61	-0.11	0.49	0.27	+0.23	1.35	0.88	+0.48	1.50	2.07	-0.57
II	0.33	0.45	-0.12	1.62	1.81	-0.20							1.60	2.16	-0.57
III	0.30	0.44	-0.14	1.62	1.81	-0.20							1.24	2.01	-0.77
IV															



Table 20. Industrial countries : imports by volume and import and export prices

Index numbers, 1953 = 100

	Volume of imports						Import prices				Export prices				
	U.S.A.	U.K.	OEEC. incl. U.K.		Western Germany	France	U.S.A.	U.K.	Western Germany	France	U.S.A.	U.K.	Western Germany	France	Japan
			From outside	Intra-trade											
0	92	90	92	84	72	90	88	84	98	87	88	84	78	82	82
1	91	101	98	92	75	101	111	112	123	114	101	99	98	96	122
2	96	93	96	90	90	100	105	110	113	111	100	104	103	103	108
3	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
4	93	101	107	112	123	109	103	99	98	99	99	99	98	94	97
5	103	113	120	127	152	123	102	102	100	98	100	101	98	95	93
6	112	112	130	136	171	143	104	104	102	99	103	105	101	100	96
7	115	116	138	145	192	151	105	106	103	104	107	110	103	102	97
8	119	116	139	144	205	150	100	98	95	95	106	109	103	98	91
9	142	124	146	165	247	147	98	97	91	88	107	108	100	90	91
7 I	113	119	142	145	184	163	107	109	104	106	107	109	103	103	99
II	111	115	140	143	183	164	106	109	105	105	107	109	104	103	98
III	115	113	132	140	191	139	105	105	104	105	107	111	103	103	97
IV	120	116	138	153	210	139	104	101	101	100	108	110	103	98	95
8 I	115	114	138	140	197	160	102	98	98	96	107	109	104	98	93
II	115	112	136	142	190	163	101	98	96	95	106	109	103	99	91
III	115	115	136	141	208	134	100	97	93	96	105	109	102	98	90
IV	131	122	146	154	227	143	99	98	93	94	106	108	101	96	89
9 I	134	118	139	146	209	140	98	97	92	87	107	108	101	87	89
II	144	125	148	161	243	151	98	96	90	88	107	108	101	90	90
III	143	121	144	159	252	132	98	97	90	88	107	107	100	90	91
IV	146	132	159	190	284	166	99	99	90	89	108	109	100	92	93
0 I	142	138	171	188	276	134	100	99	91	90	108	110	100	95	94
II	141	142	173	191	290	179	100	98	92	90	107	110	101	95	94
III	132	136			285	159	100	97	91	93	108	110	101	94	94

Table 21. Industrial countries' exports of manufactures

	Volume							Value, total	Shares					
	Total	U.S.A. (a)	U.K.	Western Germany	France	Japan	Others (b)		U.S.A. (a)	U.K.	Western Germany	France	Japan	Others (b)
	Index numbers, 1953 = 100								\$ bn., quarterly averages	Per cent of total value				
950	86	86	110	42	98	81	84	5.0	27.3	25.5	7.3	9.9	3.4	26.6
951	100	103	109	72	118	89	100	7.0	26.6	21.9	10.0	10.0	4.3	27.2
952	98	102	100	89	95	94	98	6.9	26.2	21.5	12.0	9.2	3.8	27.3
953	100	100	100	100	100	100	100	6.9	25.9	21.2	13.3	9.0	3.8	26.8
954	111	106	104	124	110	140	108	7.4	25.2	20.3	14.8	9.0	4.7	26.0
955	125	115	113	149	123	186	122	8.5	24.5	19.6	15.4	9.3	5.1	26.1
956	136	128	120	174	114	222	133	9.6	25.3	19.0	16.4	7.8	5.7	25.8
957	146	135	123	202	128	250	140	10.7	25.4	18.0	17.5	8.0	6.0	25.1
958	145	122	118	213	139	255	143	10.5	23.3	17.8	18.6	8.6	6.0	25.7
959	157	117	122	234	170	303	160	11.3	21.2	17.3	19.1	9.2	6.7	26.4
957 I	144	135	125	183	134	265	137	10.5	25.7	18.4	16.4	8.6	5.5	25.3
II	149	147	126	199	132	240	140	10.9	26.8	18.1	16.9	8.2	5.5	24.6
III	143	128	118	202	115	269	139	10.4	24.8	17.8	18.2	7.4	6.6	25.2
IV	150	132	122	223	133	265	144	10.9	24.5	17.6	18.6	7.8	6.2	25.3
958 I	141	123	121	195	134	255	135	10.3	24.2	18.6	17.4	8.5	6.1	25.2
II	144	127	115	210	130	246	142	10.4	24.4	17.5	18.1	8.3	5.8	25.9
III	141	113	116	214	125	239	141	10.1	22.3	18.1	19.6	8.1	5.9	26.0
IV	154	123	120	230	165	279	153	11.1	22.5	17.0	19.1	9.5	6.1	25.8
959 I	143	115	116	205	149	263	140	10.2	23.1	18.4	18.3	8.7	6.2	25.2
II	158	123	125	230	174	290	157	11.4	21.9	17.8	18.7	9.5	6.4	25.8
III	155	115	117	232	159	305	161	11.1	21.1	16.8	19.6	8.8	6.9	26.8
IV	174	117	130	269	198	352	183	12.7	19.3	16.6	19.9	9.8	7.1	27.5
960 I	173	127	134	254	208	294	179	12.8	20.8	17.0	18.8	10.6	6.1	26.8
II	177	139	133	257	194	328	181	13.2	23.0	16.5	18.5	9.6	6.5	25.9
III	173	131	120	260	174	354	184	12.6	21.8	15.4	19.2	9.0	7.4	27.1

Excluding special category.

(b) Belgium-Luxembourg, Canada, Italy, Netherlands, Sweden and Switzerland.



	Gross national product	Consumers' expenditure		Public spending on goods and services		Gross private fixed investment		Value of physical changes in stocks	Net foreign investment	Durable goods		Building and contracting orders	Unemployment (c)	Employment (b)	Census population
		Durable goods	Other goods and services	Federal	Other	Dwellings	Other			Manufacturers' sales	Manufacturers' new orders				
\$ billion, at constant 1954 prices										\$ billion at current prices		per cent	millions		
1950		79.5	8.25	46.2	5.4	5.88	3.88	8.30	1.80	0.05	26.41	30.95	4.6	5.0	59.96
1951		85.5	7.30	47.4	9.8	6.03	3.23	8.80	2.43	0.55	31.13	38.03	5.0	3.0	61.01
1952		88.4	7.13	49.0	13.3	6.13	3.20	8.75	0.65	0.05	32.81	35.06	5.3	2.7	61.04
1953		92.3	8.28	50.5	14.7	6.38	3.40	9.13	0.13	-0.23	37.13	33.10	5.6	2.5	61.95
1954		90.8	8.10	51.4	11.9	6.93	3.85	8.78	-0.40	0.25	33.71	30.47	6.3	5.0	60.89
1955		98.2	9.90	54.1	10.9	7.43	4.55	9.55	1.53	0.23	39.24	41.56	7.6	4.0	62.94
1956		100.2	9.50	56.6	10.4	7.65	4.05	10.28	1.13	0.63	41.42	43.33	7.9	3.8	64.71
1957		102.2	9.63	58.2	10.8	8.05	3.83	10.28	0.40	0.95	42.48	39.26	8.0	4.3	65.01
1958		100.3	8.90	59.5	11.1	8.70	4.05	8.58	-0.55	0.05	37.21	36.43	8.8	6.8	63.97
1959		107.0	10.20	62.2	10.9	9.15	4.85	9.08	1.30	-0.60	43.57	44.81	9.1	5.5	65.58
1958	I	97.9	8.73	58.5	10.8	8.50	3.85	9.00	-1.55	0.08	36.35	32.88	7.8	6.5	62.18
	II	98.7	8.68	59.1	11.1	8.53	3.80	8.50	-1.25	-0.05	35.26	34.50	9.0	7.2	63.98
	III	100.8	8.75	60.0	11.2	8.75	4.03	8.33	-0.33	0.05	37.36	37.55	9.8	7.4	65.06
	IV	103.6	9.40	60.5	11.3	9.03	4.93	8.50	0.52	-0.28	39.85	40.78	8.7	6.4	64.64
1959	I	105.7	9.83	61.2	11.1	9.20	4.83	8.65	1.70	-0.68	41.81	44.14	9.1	6.0	63.09
	II	108.6	10.40	62.1	11.1	9.20	5.10	9.08	2.53	-0.95	46.45	47.17	9.7	5.1	66.12
	III	106.6	10.30	62.4	10.9	9.25	4.90	9.28	—	-0.43	43.51	44.21	9.1	5.4	67.06
	IV	107.3	10.28	62.9	10.6	9.05	4.58	9.30	0.95	-0.38	42.54	43.59	8.8	5.8	66.06
1960	I	110.1	10.45	63.3	10.5	9.45	4.58	9.53	2.45	-0.03	46.29	43.63	8.4	5.1	64.27
	II	110.6	10.48	64.1	10.5	9.65	4.55	9.95	1.20	0.18	44.94	43.49	8.8	5.1	67.32
	III	109.5	10.05	64.2	10.3	9.80	4.50	10.00	0.15	0.55	43.73	42.87	9.3	5.7	68.24
September											43.20	43.86	9.3	5.7	67.77
October											42.42	41.40	10.2	6.4	67.50
November											41.53	40.78	9.7	6.3	67.20
December													6.8	6.8	66.00

(a) The U.S. index of industrial production is shown in table 17. (b) Employment and consumer prices are not seasonally adjusted. (c) Per cent of civilian labor force.

Table 23. Balance of payments : United Kingdom and sterling area

£ mill.

	U.K. current transactions				U.K. long-term capital		Balancing item	U.K. short-term capital, etc.					Sterling-area balance with non-sterling world					
	Imports	Exports	Invisibles	Balance	Inter-Government etc.	Other		Overseas sterling holdings		Reserves (a)	Other short-term capital	U.K. current balance	Overseas sterling area					
								Countries					Non-territorial	Current balance	New capital receipts			
								Sterling area	Other									
1952	2,959	2,831	+355	+227	—	-180	+48	-103	-255	+1	+175	+87	-121	-75	+21			
1953	2,896	2,677	+398	+179	-31	-210	+45	+233	+41	-56	-240	+39	+27	+146	+12			
1954	3,020	2,825	+399	+204	-20	-220	+19	+107	+103	-35	-87	-71	-56	+22	+12			
1955	3,432	3,076	+264	-92	-53	-130	+119	-58	-69	-7	+229	+61	-287	+7	+12			
1956	3,466	3,402	+256	+192	-51	-190	+112	-34	-120	+200(b)	-42(b)	-67	-154	+59	+12			
1957	3,570	3,543	+256	+229	+67 (c)	-250	+161	-122	-27	-24	-13(c)	-21	-131	-184	+14			
1958	3,341	3,432	+254	+345	-49	-210	+127	-89	+169	-22	-284	+13	-89	-330	+37			
1959	3,616	3,556	+199	+139	-353 (e)	-200	+42	+185	-31	+82(d) (e)	+119(d) (e)	+17	-84	-14	+31			
1960											-177							
1958 I	831	886	+83	+138	-1	-30	+100	-69	+39	+5	-177	-5	-12	+38				
II	802	837	+50	+85	-15	-70	+56	-2	+33	-19	-110	+42						
III	848	839	+93	+84	+3	-60	-17	-45	+39	+5	-15	+6						
IV	860	870	+28	+38	-36	-50	-12	+27	+58	-13	+18	-30				-77	+6	
1959 I	864	851	+33	+20	-19	-20	+78	+55	-71	-85(d)	-25(d)	+67	+30	+4	+200			
II	887	903	+80	+96	-178 (e)	-50	-29	+75	-33	+171(e)	-12(e)	-40						
III	894	853	+84	+43	-19	-60	+16	+28	+36	-4	-40	—						
IV	971	949	+2	-20	-137(f)	-70	-23	+27	+37	—	+196(f)	-10				-114	-18	+113
1960 I	972	984	+32	+44	-17	-30	+30	-34	+19	-17	-16	+21	-82	-91	+147			
II	996	957	+30	-9	-21	-70	+35	+4	+118	-27	-40	+10						
III	1,009	876	+32	-101	-15	+41		-97	+226	-57	-77	+80						
IV											-44							

(a) A plus sign denotes a fall in the reserves and a minus sign a rise.

(b) U.K. acquired U.S. dollars to the value of £201 million from the International Monetary Fund (I.M.F.) in exchange for sterling.

(c) U.K. borrowed £89 million from Export/Import Bank.

(d) U.K. repurchased from I.M.F. with U.S. dollars, sterling to the value of £71 million.

(e) U.K. paid to I.M.F. a subscription of £232 million (£174 million in sterling and £58 million in gold).

(f) U.K. repaid £89 million to Export/Import Bank.



Table 25. Gold and foreign exchange reserves (a)

(a) See National Institute Economic Review, No. 1, page 32, and No. 5, pages 69-70.

\$ billion

	Current U.K. import prices				Exports, primary producers	Exports, Latin America	Exports, overseas sterling area	Agricultural exports of primary producers				Wheat	Sugar	Tea	Coffee	Cocoa	Rubber	U.S.				Merino	Cross-bred	£ per ton	Index					
	Total	Food, tobacco	Industrial materials	Fuels				Total	Food	Non-food	Can. \$ per 60 lb.							U.S. cents per lb.	Indian rupees per lb.	U.S. cents per lb.	U.S. cents per lb.					d. per lb.	cents per lb.	d. per lb.	cents per lb.	d. per lb.
1957 = 100																														
Average of daily or weekly prices																														
1954 = 100																														
1950	102.3	105.3	104.0	90.5	102.8	101.9	104.8	105.0	99.7	100.4	98.6	1.74	4.96	2.30	50.5	32.2	33.3	37.0	164	91	179	66								
1951	105.6	107.5	105.5	101.6	104.9	104.8	104.0	104.0	103.2	102.3	104.8	1.70	3.32	2.12	56.0	27.1	28.0	36.4	105	72	370	110								
1952	105.5	104.4	104.5	111.0	104.6	103.7	102.9	102.9	105.1	105.3	105.0	1.69	5.86	2.56	60.3	23.1	27.0	35.2	133	84	250	111								
1953	101.8	101.3	102.6	100.7	102.3	102.6	102.9	102.9	103.2	102.0	105.0	1.65	6.23	2.17	57.8	27.2	27.0	35.4	137	90	236	110								
1954	98.5	99.2	99.2	94.8	98.9	99.6	98.2	98.2	99.7	99.6	99.8	1.62	4.65	2.91	54.4	32.2	26.4	35.1	125	84	207	110								
1955	94.3	95.2	93.7	93.6	94.2	94.1	99.5	99.5	93.4	95.2	90.4	1.61	3.84	2.51	54.1	39.6	24.0	35.7	105	74	185	109								
1956 1st half	94.1	97.0	91.9	92.8	91.9	93.0	90.8	90.8	92.1	95.7	86.5	1.64	3.57	2.27	54.6	43.5	22.9	36.1	98	65	168	107								
1956 2nd half	94.6	100.2	90.6	91.4	91.6	93.4	89.5	89.5	91.2	96.3	83.1	1.64	3.45	2.56	50.3	46.8	22.3	36.3	95	58	183	104								
1957 I	95.2	101.3	90.6	91.1	91.0	92.2	89.2	89.2	90.0	95.0	82.2	1.64	3.49	3.09	45.9	45.7	23.6	36.3	86	56	205	101								
1957 II	95.7	102.8	90.8	91.1	90.3	91.4	87.3	87.3	88.2	92.9	80.6	1.64	3.48	2.35	43.5	41.5	25.2	36.1	76	56	233	97								
1958 I	94.5	101.9	90.3	87.4	88.9	91.4	83.8	83.8	86.5	90.7	79.7	1.68	3.14	2.12	39.5	37.7	25.5	35.7	76	58	238	95								
1958 II	94.7	100.0	93.7	84.6	92.6	96.6	85.6	85.6	92.1	91.6	90.8	1.68	2.88	2.18	37.0	37.6	28.5	36.1	93	67	235	95								
1958 III	96.0	102.8	94.4	83.8	93.2	97.2	86.9	86.9	92.1	90.5	94.5	1.66	2.86	2.73	36.3	37.3	31.1	33.6	98	71	228	95								
1958 IV	98.0	104.2	97.9	83.6	94.6	99.1	86.3	86.3	93.1	90.4	97.3	1.65	3.01	2.34	36.0	34.1	35.2	32.9	96	74	249	97								
1959 I	97.9	102.7	99.0	83.1	95.5	99.0	86.7	86.7	93.5	90.5	98.4	1.66	3.01	2.33	36.7	28.6	34.6	33.3	93	73	259	102								
1959 II	96.5	99.1	99.7	82.3	93.5	99.7	86.4	86.4	93.1	88.2	101.1	1.68	3.02	2.24	37.4	28.1	37.6	34.2	95	74	254	105								
1959 July	96.5	100.8	97.9	82.5	93.9	97.5	86.9	86.9	90.9	88.6	95.0	1.67	3.26	3.09	36.6	28.9	31.5	34.0	88	68	255	107								
1959 August	96.7	103.0	96.7	81.7	93.1	96.4	86.4	86.4	88.9	88.5	91.5	1.65	3.30	2.98	36.1	28.2	29.0	32.6	82	68	245	107								
1959 September	96.3	103.0	96.0	80.9	93.0	95.7	87.4	87.4	88.9	87.3	91.5	1.65	3.25	2.80	36.6	28.4	29.4	32.4	82	65	235	107								
1959 October	94.6	100.2	94.8	80.9	91.2	95.9	82.7	82.7	86.6	85.6	88.2	1.65	3.25	2.68	36.6	29.4	28.2	32.2	81	65	222	107								
1959 November	95.0	101.0	94.9	80.9	90.9	96.0	82.9	82.9	87.0	85.5	89.4	1.64	3.25	2.63	36.3	28.1	25.8	32.3	84	68	226	107								
1959 December	93.0	96.2	94.6	81.2	89.1	93.0	82.1	82.1	84.3	82.2	87.6	1.66	3.25	2.55	36.3	25.6	25.5	32.5	83	67	231	107								

Primary producing countries													\$ billion							
Total	U.S.A.	Canada	U.K.	Industrial countries				Agricultural countries					Sterling area countries	New Zealand	India	Pakistan	South Africa	Malaya	Oil producers	Latin America excl. Venezuela
				Continental O.E.E.C.	Western Germany	France	Italy	Netherlands	Belgium	Japan	Total									
37.21	21.79	1.95	2.76	9.97	2.00	1.26	0.93	1.11	0.87	0.74	11.11	5.12	0.94	0.24	1.78	0.36	0.42	0.40	0.89	2.64
38.10	21.75	1.91	2.12	11.55	2.40	1.91	1.17	1.11	0.96	0.77	11.01	4.75	0.67	0.18	1.79	0.40	0.36	0.46	1.02	2.73
39.99	22.06	1.94	2.13	11.92	3.40	1.18	1.24	0.96	0.97	0.94	11.35	4.52	0.71	0.19	1.36	0.41	0.37	0.46	1.53	2.73
40.01	22.86	1.84	2.27	12.52	4.10	0.65	1.35	0.97	1.00	0.52	10.70	4.13	1.05	0.14	0.87	0.36	0.29	0.43	1.95	2.37
40.56	22.49	1.88	2.77	12.79	4.07	0.70	1.40	1.15	1.07	0.62	10.09	3.95	1.03	0.12	0.81	0.35	0.25	0.42	1.76	2.15
40.46	21.41	1.93	3.08	13.32	4.19	0.76	1.45	1.20	1.19	0.73	9.77	3.70	0.98	0.14	0.70	0.34	0.21	0.42	1.81	2.09
41.20	20.93	1.90	3.12	14.50	4.45	0.95	1.82	1.35	1.28	0.76	9.43	3.57	0.90	0.16	0.63	0.31	0.25	0.42	1.59	2.10
41.82	20.58	1.95	3.07	15.36	4.60	1.05	2.08	1.39	1.34	0.86	9.80	3.77	0.91	0.19	0.64	0.31	0.32	0.46	1.59	2.06
41.80	20.49	1.90	3.14	15.30	4.10	1.25	2.25	1.42	1.30	0.97	10.05	3.97	0.90	0.22	0.70	0.34	0.33	0.46	1.60	2.15
42.60	19.75	1.94	3.17	16.03	4.14	1.63	2.52	1.38	1.36	1.11	10.07	4.03	0.97	0.25	0.65	0.37	0.34	0.46	1.53	2.21
42.47	19.58	1.95	3.28	16.45	3.98	1.86	2.91	1.37	1.33	1.21	10.15	4.14	0.94	0.27	0.63	0.38	0.38	0.46	1.37	2.27
42.24	19.51	1.88	2.74	16.80	4.53	1.72	2.95	1.35	1.22	1.32	10.37	4.33	1.00	0.22	0.69	0.40	0.43	0.52	1.21	2.31
43.26	19.46	1.86	2.78	16.80	4.68	1.85	2.83	1.40	1.29	1.36	10.60	4.34	1.01	0.23	0.66	0.41	0.41	0.53	1.16	2.46
43.53	19.36	1.78	2.89	18.04	5.54	1.99	2.90	1.47	1.35	1.45	10.57	4.16	1.02	0.30	0.58	0.40	0.31	0.54	1.07	2.58
44.01	19.19	1.83	3.00	18.49	5.82	1.99	2.99	1.48	1.26	1.50	10.59	4.08	0.96	0.30	0.57	0.39	0.30	0.54	1.21	2.55
44.45	19.04	1.84	3.07	18.92	6.06	2.10	3.19	1.57	1.19	1.57	10.49	3.99	0.91	0.29	0.55	0.39	0.28	0.54	1.21	2.55
44.68	18.73	1.82	3.11	19.37	6.34	2.11	3.08	1.63	1.22	1.66	10.18	3.87	0.85	0.28	0.54	0.39	0.27	0.54	1.03	2.52
44.92	18.44	1.85	3.14	19.77	6.57	2.14	3.05	1.56	1.28	1.72	10.18	3.82	0.81	0.25	0.55	0.39	0.25	0.54	1.03	2.52
44.98	17.95	1.85	3.17	19.76	6.60	2.07	3.17	1.63	1.34	1.76	10.18	3.82	0.81	0.21	0.57	0.40	0.24	0.54	1.03	2.53
44.88	17.77	1.85	3.23	19.76	6.65	2.07	3.23	1.63	1.34	1.82	10.18	3.82	0.81	0.21	0.57	0.40	0.24	0.54	1.03	2.53

(a) See National Institute Economic Review, No. 1, page 32, and No. 5, pages 69-70.

(a) At end of period.



# NOTES ON STATISTICAL APPENDIX

## GENERAL NOTES

### Country groups

The following country groups are used ; they include all the countries listed against them, unless stated otherwise.

*Industrial countries* : USA, Canada, UK, Continental OEEC, and Japan.

*North America* : USA and Canada only.

*OEEC* : Austria, Belgium-Luxembourg, Denmark, France, West Germany, Greece, Iceland, Irish Republic, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK.

*Continental OEEC* : Excludes sterling area countries—Irish Republic, Iceland, and UK.

*Western Europe* : Continental OEEC, Yugoslavia and Finland.

*Primary producing countries* : All countries not included as industrial countries above, except for Eastern area, Yugoslavia and Finland.

*Overseas sterling area* : The British Commonwealth (except Canada), British Trust Territories, British Protectorates and Protected States, Burma, Irish Republic, Iceland, Jordan, Libya, Muscat and Oman.

*Latin America* : Central America, including Mexico but excluding the Panama Canal zone, and South American countries excluding European possessions.

*Oil-producing countries, sterling* : British-protected Persian Gulf States (including Kuwait) and Aden, Sarawak, Brunei and Trinidad.

*Oil-producing countries, non-sterling* : Iraq, Iran, Saudi Arabia, Venezuela and the Netherlands Antilles.

*Other primary producing countries* : All primary producing countries not included elsewhere.

*Eastern area* : Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, North Korea, North Vietnam, Poland, Roumania, Union of Soviet Socialist Republics, and the People's Republic of China.

### Valuation of imports and exports

Imports are valued c.i.f. and exports and re-exports f.o.b. unless otherwise stated.

### Seasonal adjustments

A number of monthly and quarterly series have been adjusted to eliminate the estimated normal seasonal variations. The procedures used and the reliability of the adjustments were described in the article 'Seasonal corrections' in the September 1959 issue of the Review (No. 5), on pages 50-56. Additional seasonal correction factors were given on page 61 of the November 1959 issue (No. 6) and page 59 of the January 1960 number (No. 7). The main point to be noted is that all seasonally adjusted series must be regarded as containing a margin of uncertainty, depending in particular on the extent to which seasonal variation can be shown to have been regular in the past.

## NEW OR REVISED SERIES

(Full definitions and explanations were given in the *National Institute Economic Review*, number 8, March 1960, pages 52-56. An article on pages 36-38 of the Review, number 1, January 1959, explained the figures in table 14 for stock changes of imported commodities, and an article on pages 32-35 of that number explained the NIESR price index numbers in table 24. The notes on page 44 of the May issue, on page 60 of the July issue, on page 54 of the September issue and on page 66 of the November issue of the Review described revisions or new figures. The notes below describe some further revisions.)

### Table 9. Fixed investment

The series for manufacturing has been amended in accordance with the new official seasonally adjusted series (*Board of Trade Journal*, 16 December 1960).

### Table 11. Changes in the volume of stocks

The seasonal adjustments of the Board of Trade have been applied to changes of stocks in manufacturing, wholesale and retail distribution (*Board of Trade Journal*, 16 December 1960). The series for total stock change is now identical with that in table 1. The seasonally adjusted figures are necessarily subject to a margin of error, over and above any error in the original unadjusted data, and should accordingly be interpreted with caution.